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1.1 Foreword by the Honourable Mayor



It is a legislative mandate that as a Local Municipality, we are compelled to prepare an Annual report which its main objective is to reflect on the performance of the Municipality for each financial year. This report is prepared in terms of the provisions of section 121(1) of the Municipal Finance Management Act as well as section 46(1) of the Municipal Systems Act of 2000.

We are only a few months in office as the new Council. However, it is our responsibility as politicians, to ensure that our Municipality does indeed perform to the best of its ability in addressing the backlogs of all services. We will do this because this is a mandate as enshrined in our Constitution. We are compelled to do the above irrespective of the limited resources at our disposal.

Although we got a Disclaimer in the last financial year, we made a commitment that things will slowly change for the better. These changes are as a result of the appointment of the C.F.O. and the appointment of an Internal Audit Manager who is located in the office of the Municipal Manager. We have also developed an Action Plan which its objective is to detect and address any shortfall regarding the finances of our Municipality. This plan will enable us to identify all the risks so as to deal with them head-on and so that we are in a better position to improve and become a Municipality who is financially viable and to keep up with the deadline of Clean Audit by the year 2014.

We will continue to work closely with our communities so that they know exactly what is happening within their elected Council. This will also provide us with an opportunity to know their daily challenges and be in a position to make the necessary planning to overcome those challenges timeously.

**‘WORKING TOGETHER WILL PRESENT ALL OF US AN OPPORTUNITY
TO BUILD A BETTER COMMUNITY ’**

N. Khen

Hon. Vuyisile Khen

Unity Conquers



1.2 Overview by the Municipal Manager



The annual report for 2010/2011, will highlight the success, achievements and challenges for the year under review. This report, depicts improvement, in delivering services to the community. On the other hand, there are still backlogs in service provisioning and other challenges such as of achieving clean audit. Phokwane Local Municipality, is still struggling with historical issues in finance. A file of historical issues is prepared it will be audited by the auditor general before previous findings can be removed from the audit report. If the those historically issues can be cleared, Phokwane Local Municipality will be on track to meet the 2014 clean audit target. At the beginning of the financial year 2010/2011, clear objectives were set by Council and this report will reflect on how the municipality performed against the targets set.

Policies

Council approved policies in this financial year, in order to improve internal controls and to strengthen accountability. In the main these policies contributed to effective and efficient running of the institution. Council approve policies regulating finances and human resources. The annual report contents include policies approved, reviewed and implemented by Council.

Governance

In the year under review Council, Executive Committee and Portfolio Committees were having meetings periodically according schedules. Attendance of meetings particularly before the local government elections was poor. It showed clearly that elections are taking time from governance every time they come. It is expected that the new Council will have to close the gap created by the elections on governance in the next financial year.

Administration

The appointment of the Director- Finance and 5 Financial Interns brought meaningfully changes and improvement to the finance the department. These appointments made an impact in the finance department in a short period although the audit report did not change. The municipality managed submit Annual Financial Statement 2010/2011 on the 31 August 2011. This was a big improvement as compared to previous years when it was difficult even to submit section 71 reports. The municipality was unable to even commit itself on when will the Annual Financial Statements be submitted because of the problems that were there in the finance department were enormous.

The municipality established an Internal Audit function, where the Internal Audit Manager is appointed. Staff in the internal audit, unit are appointed and this unit has started to function late in the financial year. The municipality advertised on papers inviting the public to serve in the Audit Committee. The municipality advertised and filled key vacancies that were budgeted for in the financial year. Labour matters were also attended to in this financial year and the municipality succeeded in reducing the list of cases in this regard.

The administration gave support to Council to approve the Integrated Development Planning and the budget for the Financial Year 2010/2011. The SDBIP for 2010/2011 was implemented by administration. The Technical department implemented capital infrastructure project in the previous financial year. There were challenges in some of the projects due to phasing in of projects.

The organizational structure of the municipality was also reviewed to focus it to service delivery. Some additions of new positions which were excluded in the structure were also included. The exercise of reviewing the organizational structure is done yearly every time when the IDP and Budget processes plans are implemented.

**Service Delivery**

In the financial year 2010/2011, the municipality managed to spend the Municipal Infrastructure Grant on infrastructure projects. The allocation was spent all before the end of the financial year. The municipality received housing allocations from the Department of Human Settlement for internal services. The Department of Cooperative Governance, Human Settlement and Traditional Affairs allocated funds for the Housing projects in Jan Kempdorp (Valspan) and Pampierstad (Sakhile). The projects are making serious impact on poverty alleviation and restoring the dignity of South Africans in this region. The main challenge in this province is to provide houses to communities at a faster rate because of limited allocations.

Public participation

The municipality had public participation activities ranging from consultations, public meetings, stakeholders meetings, imbizos and ward meetings. The municipality consulted communities on IDP review, Proposed Budget, Policies, and Projects Implementation. On the other hand, Ward Councillors are holding community meetings in different wards. For those who could not attend meetings, the municipality is publishing documents, e.g. IDP, Budget and policies at different offices for public comments. The municipality had 9 functional ward committees that enhanced public participation. They were paid stipends to motivate them to do their work. They are reporting monthly to Council through the Ward Committee Coordinator and the Speaker's Office.

Youth Development

The municipality reviewed the organizational structure and included the Youth Development unit. This unit is responsible youth and other transversal issues. The said unit is now fully established with staff appointed. It has started working on focusing the municipality on youth development, HIV Aids Programmes and Vulnerable groups.

Conclusion

This annual report 2010/2011, outlined activities of the year under review. This report reflects departmental success, achievements and challenges. Some of these departments like the finance still face serious challenges even after appointing key personnel. However, we believe all is on the right track in achieving the strategic objectives of the new developmental local government.

I would like to thank the Mayor, Speaker, Councillors, Colleagues, Staff and the Community for their support and patience and believing that we shall overcome.

I thank you.

Moeketsi Dichaba
Municipal Manager



1.3 Executive Summary

Our vision

To be a developmental municipality in the creation and maintenance of sustainable human settlement that result in social and economic development for all citizens.

Our Mission

To strive, within given resources, towards efficient, effective and sustainable measures to reduce poverty and stimulate local economic growth.

Values and principles

As Phokwane Local Municipality we dedicate and commit ourselves to the "Batho Pele" principles and the following values;

- To be customer friendly orientated organisation
- Ensure equality in the provision of services
- Promote teamwork between Councillors, Officials and the Community
- Instil loyalty and honesty amongst all our employees
- Treat people equally and with respect
- Promote cooperative governance
- Reflect diversity i.e race, gender, culture and people with disability
- Ensure efficient and effective institution

Overview on JKD, Hartswater, Pampierstad, Ganspan

Phokwane Local Municipality is made up of four built up areas, i.e Hartswater, Jan Kempdorp, Ganspan, Pampierstad and the surrounding farming areas. This municipality is rural in nature with large scale of agriculture commercialized farming.

The population size is about 61 321 people, with the following gender composition 29 827 males and 32 497 females. The unemployment rate in the area is very high, it is estimated to be 43% whiles agriculture and government sector are the main employers in the local economy.

The labour force is relatively unskilled and poorly educated, 21% of them have grade 12 or higher education, while 32% have no schooling at all. In total 67% of the population have some form of schooling and can be regarded as literate.

Phokwane Local Municipality is second biggest local municipality in the Frances Baard District Municipality. It is an executive type of a municipality, where the Executive Committee is chaired by the Mayor who is a Member of that committee. In this arrangement the executive powers are vested in the committee.

The head office of the municipality is in Hartswater, where Council, Committees, and Senior Managers operate from. The Council Chambers and Senior staff offices are.

Since inception in 2000, Phokwane local Municipality has been able to provide the following services to the communities;

- Water
- Electricity
- Sanitation
- Roads
- Storm water
- Cemeteries
- Sports and recreational facilities
- Environmental management
- Libraries
- Solid waste
- Traffic services
- Land use

Some of these services are provided at a higher level and some at an RDP standard. On the other hand some of these services are provided to communities on a daily basis and some as once off service. However, the details on service delivery will be reported under performance highlights.



1.4 Internal Audit

Internal Audit provides objective and independent assurance, to the management and council about risk management, control and governance processes and internal control systems.

Internal audit activity is governed by an internal audit charter and the charter defines the purpose, authority and responsibilities of the function.

The head of Municipality Internal Audit is responsible for coordinating internal audit efforts to ensure coverage is sufficient and departmental skills are leveraged in order to maximise efficiency. The adopted functions comply with the international standards for the professional practice of internal auditing. Internal Audit proactively reviews its practices and resources for adequacy and appropriateness, to meet our increasingly demanding corporate governance and regulatory environment including the requirements of King III in South Africa.

Internal Audit operates independently of executive management but have access to Municipal Manager. The Internal Audit directly reports the functionality of this unit to Audit Committee; however the administration issues are being reported to Accounting Officer. The Audit Committee has direct reporting line to Council of municipality thereby maintaining the independence of this department. The Internal Auditor's activities, Internal Audit Plan, and results of all internal audits, are overseen and reviewed by the Audit Committee. However, municipality did not have audit committee for a current year as such internal audit charter and methodology, internal audit plan and results of internal audit were not overseen and approved by Audit Committee.

INTERNAL AUDIT PERFORMANCE

Internal Control

The Council is ultimately responsible for the system of internal control. Management is responsible for implementing and maintaining an internal control framework to address risks relevant to the municipal's achievement of its objectives. Internal audit adopt an internal control framework as set out by the Committee of Sponsoring Organizations of the Treadway Commission (COSO II) when the assessing the effectiveness and efficiency of internal control, which addresses the following business objectives:

- Strategic;
- Operational;
- Compliance;
- Financial;
- And Sustainability.

A small number of internal audit reviews were also conducted during the financial year. Control weaknesses were reported, in terms of an escalation protocol, to management, where remediation procedures and progress are considered and monitored in detail by management.

Seven reviews were scheduled for current year, with three reviews being completed, 1 being on the final stage and two being to roll-over to next financial year, due to limit resources within this unit, whilst the fixed assets management system was not done due to the fact that municipality was still in progress of preparing final fixed assets register and establishing a proper control over assets managements system.

Risk Management

While progress has been made in the developing the framework such risk management policy and strategy, a formal Enterprise Wide Risk Management function and process was not established and implemented for the year under review. This includes the establishment of a Risk Committee, risk management structure and risk assessment processes. In order to enhance the Risk Management process of the Municipality, the municipality is in the process establishing the structure and the risk management responsibilities was assigned to internal auditing so that it can work independently and ensure compliance with relevant the legislation.

CONCLUSION

The aim of Internal Audit is to assist Phokwane to develop a sound system of internal control throughout all aspects of Council operations and to obtain excellence in governance.

This will be achieved through a combination of an effective Internal Audit programme, the introduction and the implementation of an effective Risk Management and internal control system.



Chapter 2

PERFORMANCE HIGHLIGHTS

2.1 PERFORMANCE HIGHLIGHTS OF THE YEAR

ELECTRICITY

Objective: Eradicate electricity backlog in the Municipal supply area.

Project	Value	Funding Source	Municipal area that benefited	Beneficiaries
Electricity of Ganspan	R2,184 million	DME	Ganspan	117
Electricity of Bonita Park		DME	Bonita Park	114

ROADS

Objective: Eradicate roads backlog in the municipal area.

Project	Value	Funding Source	Municipal area that benefited	Beneficiaries
Upgrading of streets and Stormwater.	R3 848 247.24	MIG	Pampierstad	900 Stands
Access Road Masakeng	R1,7 million	Dept of Public Works	Masakeng	Masakeng

STORM WATER

Objective: Eradicate storm water problems in Phokwane municipal area.

Project	Value	Funding Sources	Municipal area that benefited	Beneficiaries
Pampierstad Storm water channel (900) houses Phase 2	R3 495 250.00	MIG	Pampierstad	900



WATER

Objective: To provide water at the RDP standard as well as complying with the act.

Project	Value	Funding Sources	Municipal area that benefited	Beneficiaries
Construction of Water Reticulation	R2 000 000.00	MIG	Ganspan	225 Stands
Construction of Water Reticulation	R14 112 528.41	COGHSTA	Pampierstadt / Sakhile	1450 Stands / Erf

SANITATION

Objective: To provide sanitation facilities to the community.

Project	Value	Funding Sources	Municipal area that benefited	Beneficiaries
Construction of Sewer Reticulation	R2,3 million	FBDM	Jan Kempdorp / Masakeng	840 Stands
Construction of Sewer Reticulation	R14 928 654.83	COGHSTA	Pampierstad / Sakhile	1450 Stands
Upgrading of Jan Kempdorp Waste Water Treatment Plant	R5 million	MIG	Jan Kempdorp	Jan Kempdorp

HOUSING

Objective: To provide the community with sustainable shelter.

Project	Value	Funding Sources	Municipal area that benefited	Beneficiaries
Jan kempdorp (1000)	R5 465 000.00	COGHSTA	Valspan	100

WASTE MANAGEMENT

Objectives: To ensure that solid waste is being managed to maintain a clean environment.
The municipality has 4 landfill sites. Those sites are situated in Hartswater, Jan kempdorp, Pampierstad and Ganspan.

Project	Value	Funding Sources	Municipal area that benefited	Beneficiaries
NC – Hartswater Landfill Site	R15,2 million (completed)	DEA	Hartswater	Hartswater

ENVIRONMENTAL MANAGEMENT

Objective: To ensure sustainable and conducive environment by ensuring effective waste management, properly managed landfills and consistent refuse collection.

Project	Value	Results
Regular collection of refuse	Ganspan Hartswater Jan Kempdorp Pampierstad	90% 100% 100% 95%



2.2 SERVICE BACKLOGS

The backlog of basic services in the municipality has been address steadily over the past few years and the following backlogs are recorded in the IDP;

Services	Jan Kempdorp	Ganspan	Hartswater	Motswedithuto	Pampier stad	Total
Housing	1656	531	127	32	1522	3878
Water Supply	1277	0	214	32	1450	2973
Sanitation	1656	311	214	32	1450	3663
Electricity Households	1057	0	214	32	2125	3428
Public Lighting	10 Highmast	6 Highmast		2 Highmast	4 Highmast	22
Solid Waste Removals	1100	530	210	32	2100	3972
Roads/Access Roads	106 km	9 km	60 km	1 km	99.7 km	275.7 Km

Current- and future projects identified in the IDP is addressing to backlogs as funding becomes available.

2.3 BUILDING AND ZONING PLANS

Objective: To provide land use opportunities to and to acquire additional land for human settlement including other uses.

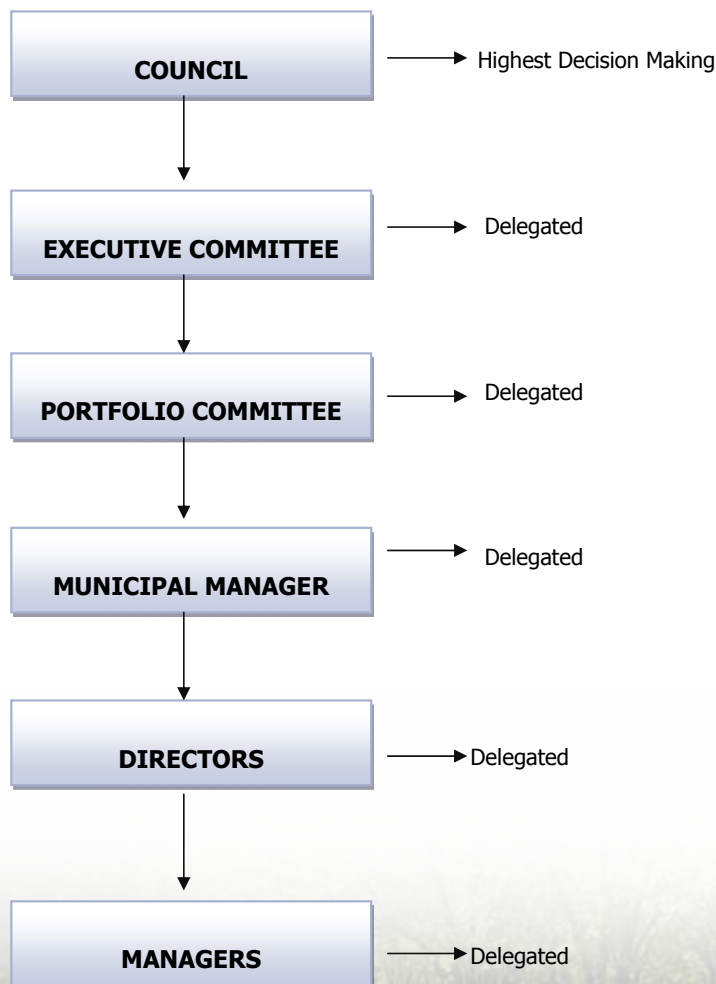
Land Use Applications	Received	Finalised
Subdivisions	8	8
Consolidations	0	0
Subdivisions and consolidations	0	0
Divisions	0	0
Removal/amendments of restrictive conditions	0	0
Rezoning	5	5
Township establishment	1	1
Amendment after approval of township	0	0
Closed /withdraw	0	0
Removal of restrictions	1	0



Chapter 3

HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

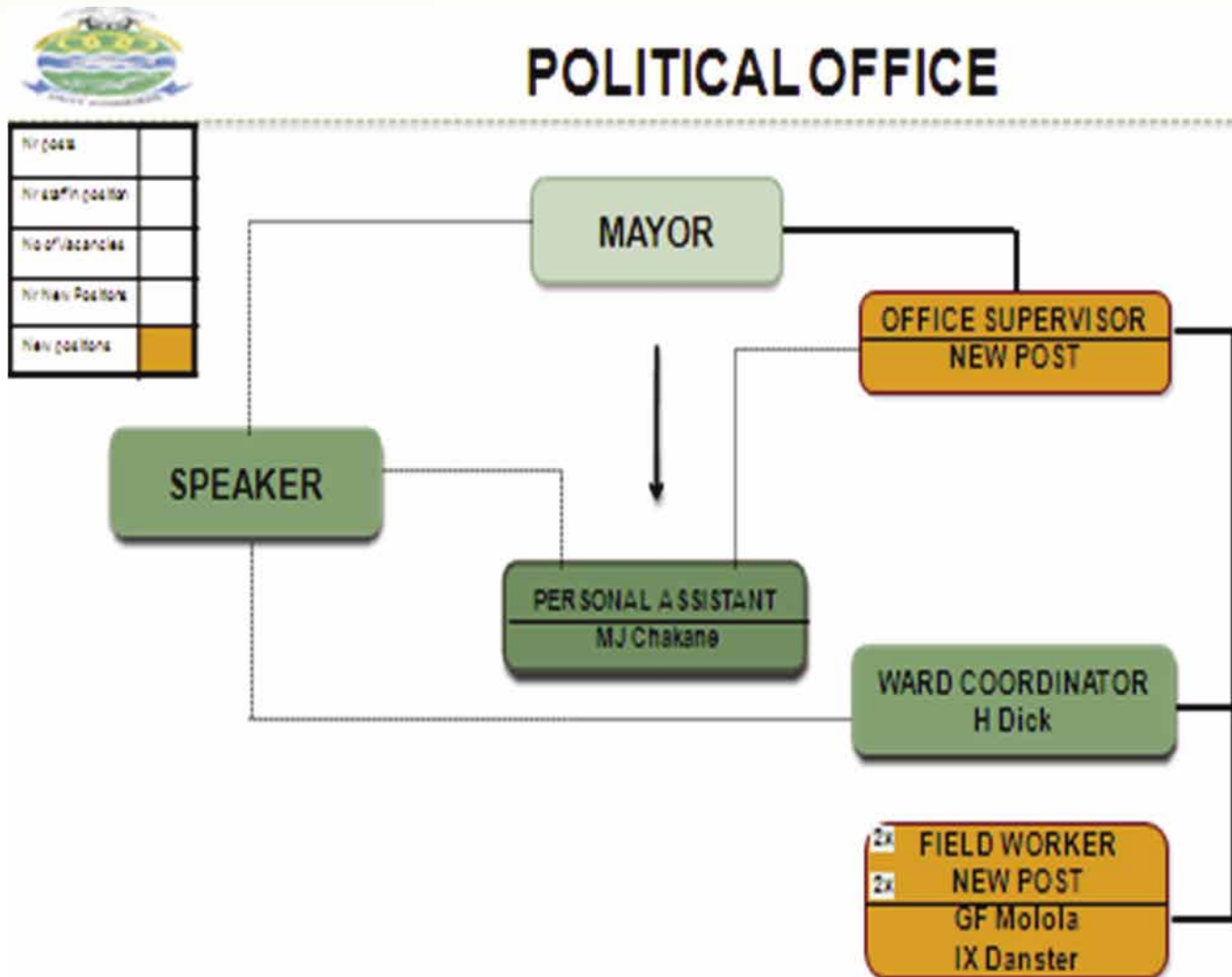
3.1 STRUCTURE OF DECISION MAKING





3.2 REVISED ORGANIZATIONAL STRUCTURE

PHOKWANE MUNICIPALITY



TOP STRUCTURE

MAYOR



Vuyisile Khen

SPEAKER



Dieketseng Moeketsi

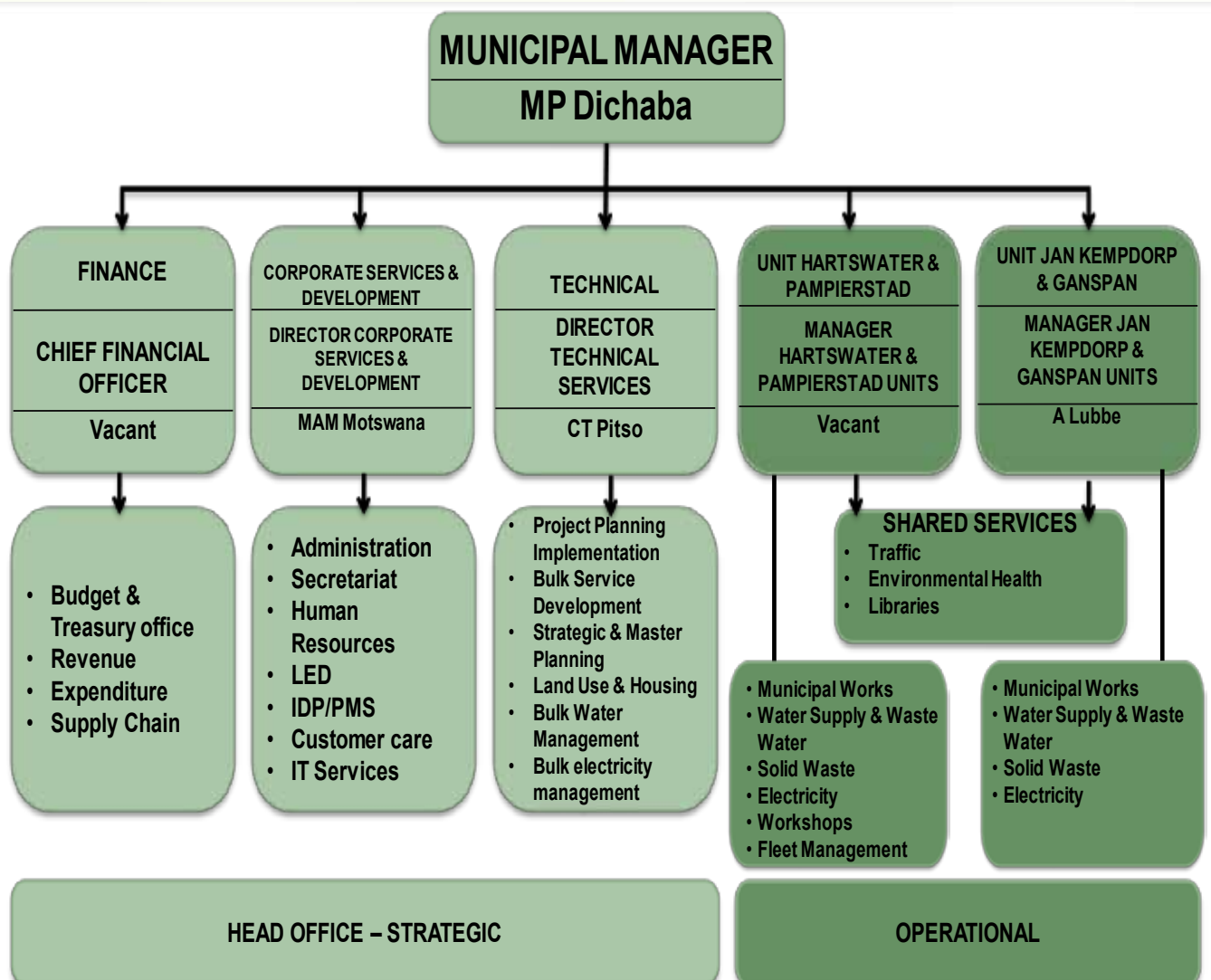
EXCO



From Left: Moeketsi Dichaba (Municipal Manager), Clr Horatious Modiakgotla, Clr Flora Pitso, Clr Sinah Lewis, Clr Vuyisile Khen (Mayor – Chairperson)



MANAGEMENT STRUCTURE





MANAGEMENT STRUCTURE

MUNICIPAL MANAGER



Moeketsi Dichaba

DIRECTOR: CORPORATE SERVICES & DEV. PLANNING



Morgan Motswana

DIRECTOR: FINANCE



Timothy Sediti

DIRECTOR: TECHNICAL SERVICES



Tshiamo Titso



HUMAN RESOURCES

Human capital plays a key role in ensuring that organization goals and objectives are realized, hence it becomes crucial that we have in place approved organizational structure, competent and motivated personnel. This will be attained by recruiting but also retaining the best talent. Hence training is crucial and harmonious conducive environment.

In the year under review the organizational structure was reviewed and approved, and about 40 new posts created mainly to increase the capacity to deliver on our constitutional mandate as dictated by Chapter Seven of the RSA. It is also worth reporting that the municipality is experiencing high turnover in as far as the scarce skills is concerned, i.e electricity, water and sewer areas. Hence the municipality developed Retention of Critical Skills Management Policy.

Recruitment and Selection: As part of our efforts to achieve out service delivery mandates the following appointments were made LED Manager, Town Planner and Environmental Health Officer. Five interns were appointed with various financial qualifications to boost the finance department. Furthermore a total of about 24 employees left the employment of the municipality for the following respective reasons:

- Resignation -8
- Death -6
- Ill Health -1
- Retirement -8
- Dismissal -1

Vacancy Rate: Of the 434 approved post as result of organizational review, 151 vacancies existed. Temporary and contract workers are appointed and deployed to assist where there's staff shortages in some sections.

Job Evaluation Process: As part of our compliance with Bargaining Council collective agreements we are one of the very few municipalities that have implemented the nationally moderated outcome of job evaluation process in our province. This process has resulted in about **242** of our employees benefiting from the job evaluation process implementation.

Managing Employee Relations: A harmonious relationship between organized labour and employer is essential for the success of the organization to achieve its intended objectives and goals. There has been continuous interaction between employees through organized structures i.e SAMWU/IMATU and the employer in a collectively agreed forum known as the Local Labour Forum (LLF). About eight consultative meetings took place attesting to continuous engagement of our workforce. Furthermore, about three general staff meetings took place in the year under review as part communication with our employees.



3.3 EMPLOYMENT EQUITY

Occupational Categories	Male			Female			White Male	Foreign Nationals		TOTAL
	A	C	W	A	C	W	W	Male	Female	
Legislators, Senior Officials & Managers	3		2			1				6
Technicians & associate professionals	10		4	6	5	6				31
Clerks	22	4		13	10	5				54
Service and sales workers	10			3	1	5				16
Plant and machine operators and assembles	14	6								20
Elementary occupations	70	19		12						101
GRAND TOTAL	129	29	6	34	16	14				228

3.4 TRAINING OF STAFF AND COUNCILLORS

Skills Development: Key to the competence of the staff is training of personnel, required in terms of skill development regulation is the completion and approval of Work Skills Plan and the implementation thereof. The following training took place for both councilors and staff to the value **R292, 621. 56**.

AREA OF TRAINING	QUANTITY
Key Skills for Effective Secretaries	2
Introduction to IDP Learnership	1
Trade Test: Electricity: Gap Training	6
SALGA Provincial Working Group Workshop	3
Debt Collection & indigent Course	6
Ecological design Workshop	1
Computer Training	2
LCU (Traffic) training	1
Human Settlement Policy Workshop	1
Case binding Workshop	4
Interns Induction Workshop	3
Public Administration Course	1
Rural Development and Land Reform Training	1
Gender and Media Literacy Course	2
Supply Chain Management Workshop	2
Greendrop System Training	1
Public Administration Course	2
Water Training	1



AREA OF TRAINING	QUANTITY
Provincial Public Participation Workshop	1
Debt. Collection & Indigent Training	5
Audit forms & Standard residential care facilities Worksheet	2
HT Switch & Authorization Training	2
Water & Wastewater	3
Provincial Tourism Workshop	1
GRAP Workshop	2
IDP Analysis & Engagement Workshop	2
Audit & Control Course	1
Fleet Management	2
Asset Management Workshop	1
NC Water Conservation Demand Workshop	1
Gender & Media Literacy Course	1
Aarto Training	7
IDP Learnership Workshop	1
Capacity Building Course	1
Councillors Workshop	1
HIV & AIDS Workshop	1
Monitoring & Evaluation Workshop	1
AFS Template Training	1
Municipal System Improvement Grant Workshop	1
Sita Library Information Management System Training	5
Provincial Ward Committees Workshop	1
Environmental Impact Workshop	2
Environmental Impact assessment & waste training	1
EPWP-Re-orientation training	2
Pre- Summit Workshop Gender	1
E-Venus Workshop	1
Workshop:-Audit Norms & Standards	1
HT Switch & Authorisation Training Fase 11	2
Credit Control Training	1
Certificate Programme in Municipal Development for Municipal Finance	1
Credit Control, Debt.Collection & Indigent Policy Workshop	1
Quality Water & wastewater course	3
Provincial Tourism Workshop	1
GRAP Standard Workshop	2
GRAND TOTAL	98



AREA OF TRAINING	QUANTITY
PHOKWANE LOCAL MUNICIPALITY STUDY ASSISTANCE	
Masters in Public Management (University of Free State)	1
Post Graduate Diploma in Management, Human Resource (North West University Mafeking)	2
Public Management Diploma	1
GRAND TOTAL	4

3.5 LABOUR RELATIONS

Bargaining Council Referred Disputes: There were disputes that were referred to the Bargaining Council for conciliation or arbitration. The following table shows referrals and outcome:

Case Number	Parties	Dispute Nature	Outcome
NCD031013	PLM vs B. Bonokwane	Unfair Labour Practice	The dismissal was found to be fair.
NCD 061013	PLM vs H Basson	Unfair Labour Practice	Matter was settled between parties.
NCD 091014	PLM vs E Domingo	Unfair Labour Practice	Matter settled between parties.
NCD 070907	PLM vs V Madlala	Unfair Dismissal	Matter referred to labour court for review.
NCD 090809	PLM vs M Ndwanya	Unfair dismissal	Dismissal was found to be fair, and applicant referred matter for review.

3.6 POLICIES AND BY-LAWS

The following policies were approved during the year:

Resolution 25/2011: Council Meeting 02/2011 dated 06/04/2011:

- Retention and Critical Skills Management Policy
- Staff and Councilor Bereavement and Hospitalization Policy

Resolution 44/2011: Special Council Meeting 04/2011 dated 06/05/2011:

- Asset Management Policy
- Investment and Cash Management Policy
- Credit Control and Debt Collection Policy
- Rates Policy
- S & T Policy
- Tariff Policy
- Supply Chain Management Policy

Resolution 45/2011: Special Council Meeting 04/2011 dated 06/05/2011:

- Risk Management Policy
- Risk Management Strategy



By-Laws formulated;

- Development of By-Law Traditional Initiation.
- Development of By-Law for the use of Subsidised Houses.

3.7 EMPLOYEE PENSION AND PROVIDENT FUNDS

Retirement Funds and Membership Representation: The organization has number of retirement fund with both pension and provident fund, and these funds are accredited by SALGA for operation in the local government sector. Employees are free to choose of any of the fund they fund appealing in terms of benefits. The retirement funds representations in the municipality are as follow:

Fund	Membership
SAMWU Provident Fund	83
SALA Provident Fund	20
SALA Pension Fund	75
Cape Joint Retirement	14+11 Councilors
Cape Joint Pension Fund	7
Municipal Employee Pension Fund	19
Government Employees Pension Fund	10
Municipal Councilors Pension Fund	7

3.8 MEDICAL AID FUNDS

Medical Aid Funds and Membership: On the medical aid scheme municipalities are provided with a list of accredited medical aid scheme by SALGA before the beginning of each financial year for consideration. The medical aid schemes in existence with membership in the year under review are as follow:

Medical Aid Scheme	Membership Representation
Bonitas	45
LA Health	4
SAMWUMED	9
Medshield	1
Hosmed	21
Key Health	3



3.9 INTEGRATED DEVELOPMENT PLAN

COMMUNITY CONSULTATIVE MEETINGS ON THE IDP 2010/11 DRAFTING

The municipality has adopted the following structure known as IDP Representative Forum, this is meant mainly for the involvement of community structure in the drafting, review and implementation of the IDP. The objectives of the IDP Representative Forum are as follow:

- To provide feedback to community representative of respective structures
- Consult communities on the priority issues
- To report on developmental issues undertaken by other government institutions
- Ensure the implementation of the approved IDP projects and programmes
- To consider possible amendments during review period as proposed by the community

TWO (2) IDP Representative Forum Meetings were held:

IDP Representative Forum	Number of Stakeholders	Dates
1st IDP Representative Forum Meeting	69	10 th September 2010
2nd IDP Representative Forum Meeting	31	09 th December 2010

IDP AREA Representative Forum Meeting: To broaden participation in addition to the IDP Representative Forum, area based meetings were also held as indicated below:

IDP AREA Representative Forum	Number of Stakeholders	Dates
Hartswater	70	30 th November 2010
Pampierstad	52	07 th December 2010
Jan Kemp	58	08 th December 2010
Ganspan	42	25 th January 2011

IDP PRIORITY ISSUE TRENDS 2009-2012 June

2009/2010	2010/2011	2011/2012
1.LED (Local Economic Development)	1. Roads	1.Water
2. Infrastructure Maintenance	2. Disaster Management	2.Sanitation
3. Community Participation	3.Skills Development for the Youth	3.Storm Water
4. Education	4. Recreational Facilities	4.Rebuilding of Irrigation System Ganspan
5. Crime Prevention	5.Early Childhood Development Centers	5. Housing
6. Disaster Management	6. Health Facilities	6.Roads
7.Housing	7. Land for Farm Dwellers	7. Multipurpose Center
8. Electricity	8.Water and Sanitation	8. Job Creation
9. Roads	9. Institutional Transformation	9. Land (Grazing)



2009/2010	2010/2011	2011/2012
10. Environment	10. Economic Development and Job Creation	10. Sports and Recreational Facilities
11. Recreational and Sports facilities	11. Community Participation and Communication	11. Education
12. Institutional Implement and development		12. Health Services
		13. Electrification/Energy Source
		14. Institutional Transformation
		15. Disaster Management

3.10 PERFORMANCE MANAGEMENT SYSTEM

Definition:

Performance Management System (PMS) is a predetermined set of guidelines for individuals employed in the municipality. The system is used to describe the current position to the employee and lay out the expectations of the municipal management for the employee. Describing in detail the required for a position also allows management to set rewards and bonuses for the position so the municipality gains the maximum potential of the employee. It also helps the employee to understand his responsibilities toward the municipality.

Performance Agreements

For the agreement to be effective the parties agree to the following conditions:

- That the agreement contract is established pursuant to the conditions of its employment contract and section 57(1) (b) of the Local Government: Municipal Systems Act, 2000.
- No variation or mutually agreed cancellation of this agreement has of any force or effect unless it had been reduced to writing and signed by or on behalf of both parties.
- No indulgence that the parties may grant to each other with regard to the compliance with any of the obligations in terms of this contract prejudices or constitutes a waiver of any parties' rights in terms of this agreement.
- Whenever the municipality fails to comply with any provision of this agreement, the manager must notify the municipal manager in writing of the specific breach.
- The municipality must repair any breach of this agreement within 30 (thirty) days of receiving the notification of the manager.
- Should the municipality fail to comply with a notice, the manager may, notwithstanding clause 11 of the employment contract, terminate the employment contract in writing without notice.
- Termination of the employment contract does not affect any recourse that the manager may have in terms of the law.
- That the performance of the manager will be measured against the criteria set out in the Performance Charter as an annexure to this document.
- That the performance of the manager will be measured by the Municipal Manager who will report the outcome of the review procedure to the Mayor, Council or the Executive committee.
- That the manager's performance will be measured annually.
- That reasonable and fair steps be taken to correct areas of non-performance and that steps are taken as specified in the employment contract.



Performance Plans

- The Performance Plan sets out the following conditions:
 - (a) The performance objectives and targets that must be met by the employee; and
 - (b) The time frames within which those performance objectives and targets must be met.
- The performance objectives and targets reflected in the performance plan are set by the employer in consultation with the employee and based on the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the Annual Budget of the municipality, and shall include key objectives; key performance indicators; target dates and weightings;
- The key objectives describe the main tasks that need to be done. The key performance indicators provide the details of the evidence that must be provided to show that a key objective has been achieved. The target dates describe the timeframe in which the work must be achieved. The weightings show the relative importance of the key objectives to each other;
- The employee's performance will, in addition, be measured in terms of contributions to the goals and strategies set out in the employer's Integrated Development Plan.

Performance Standards and Criteria

- The employee agrees to participate in the Performance Management System that the Employer adopts or introduces for the municipality;
- The Employee accepts that the purpose of the Performance Management System will be to provide a comprehensive system with specific performance standards to assist the Employer, management and municipal staff to perform to the standards required;
- The Employer will consult the Employee about the specific performance standards that will be included in the Performance Management System as applicable to the Employee;
- The Employee undertakes to actively focus towards the promotion and implementation of the Key Performance Areas (KPA's including projects relevant to the employee's responsibilities) within the local government framework;
- The criteria upon which the performance of the Employee must be assessed shall be assessed consist of two components, both of which shall be contained in the Performance Plan. The Employee must be assessed against both components, with a weighting of 80:20 allocated to the Key Performance Areas (KPA's -80) and the Core Managerial Competencies (CMC's - 20) respectively. Each area of assessment will be weighted and will contribute a specific part to the total score. KPA's covering the main areas of work will account for 80% and CMCs will account for 20% of the final assessment;
- The key aspects relating to the Core Managerial Competencies (CMC) and the weighting attached thereto are set out in the table below and a detailed description of the competencies contained in Annexure A;



Core Managerial and Occupational Competencies	Weight
Core Managerial Competencies:	10
Client Orientation and Customer Focus.	
Financial Management.	
People Management and Empowerment.	
Change Management.	
Communication.	
Honesty and Integrity.	
Knowledge Management.	
Problem Solving and Analysis.	
Programme and Project Management.	
Service Delivery Innovation.	
Strategic Capability and Leadership.	
Core Occupational Competencies:	10
Competence in Self Management	
Interpretation of and implementation of legislative and national policy frameworks	
Knowledge of developmental local government	
Knowledge of Performance Management and Reporting	
Knowledge of global and South African political, social and economic context	
Knowledge of key municipal disciplines	
Skills of mediation	
Skills of Governance	
Integration with other national line sector departments	
Performance Improvement	
Total weighting	20

Challenges

- Full implementation
- Developing performance plans in different departments
- Lower sections not participating
- Total buy in of staff



3.11 GENERAL ADMINISTRATION

The long standing vacancy of the Senior Administration Officer was filled during the year through an internal promotion. A process has started to implement control measures to improve the functionality of the Registry, Switchboard and Reception, Access control and cleaning services. Two officials handling correspondence signed confidentiality agreements and measures implemented to improve the receipt and handling of post and correspondence. A File Plan was developed and submitted to the Provincial Archives for approval. A training plan was developed for all staff that handles files and correspondence and will implemented in the New Year. The department has also started the process to plan and reallocate office accommodation and to determine office furniture and equipment needs.

3.12 INFORMATION TECHNOLOGY (IT)

During July 2010 an Information Technology Technician was appointed on a contract basis to implement an internal IT support system due to the organic growth of the Municipality over the past few years. The appointment proved to be correct and the Technician was appointed on a full time basis during July 2011. The following achievements were recorded during the 2010/11 financial year:

- An Information Technology (IT) policy was drafted and adopted by Council
- A website was formulated and implemented with the internet address: www.phokwane.gov.za. Apart from providing an overview of the municipality a large number of documents has been posted on the website and include documents such as: IDP, Budget, WSDP, LED plan, organ gram of the municipality, policies and by-laws and service tariffs.
- At the start of the process only five managers had access to e-mail and internet services. Currently fifty six (56) have been authorized and are connected to internet services.
- Most of the outlining offices and satellites are connected to the Main Offices and the financial system and include Jan Kempdorp, Andulusia Park and Pampierstad. All these offices are also linked to internet and e-mail services
- Computers – Whereas only a small number of employees had access to computer facilities all office employees that have appointed since 2009 have now been provided with computers, either desk tops or laptops.
- The network point connectivity has been upgraded and whereas only a few network points were available, most of the offices on the ground-, first- and second floor are now connected to the network.
- Onsite support services are provided to all users and weekly on site visits are done to Jan Kempdorp, Ganspan and Andulusia Park. Approximately 35 support calls are received from internal users to provide desk top support with regard to e-mail, internet, software problems including general problem solving support.
- Time and Attendance – an electronic system linked to the finger prints of all employees was installed at the Main Office, Jan Kempdorp and Pampierstad offices, stores at Hartswater and Jan Kempdorp, Traffic offices at Hartswater and Jan Kempdorp.
- Document Management System – was installed to create an active central electronic archive system for all registered users. It is however not an automated registry system to handle all municipal correspondence and files.
- The Council recording devices has been upgraded and is fully recorded on a computer system. The minutes of council meetings are now available on the website.
- Back-ups of the entire network and financial system are done weekly whilst daily back-up runs are done at 05h00 from Monday to Friday. Consolidated back-ups are also done on a monthly basis.
- Network administration the email- and Document Management System of all users is also handled by the IT Technician.



3.13 DISCLOSURE OF SENIOR STAFF BENEFITS

MUNICIPAL MANAGER

Basic salary	495 585.84
13th Cheque	
Transport allowance	141 686.52
Pension contributions	89 552.40
Medical aid	14 428.80
Housing subsidy	
Cell phone	7 200.00
UIF	1 497.36
Bargaining council levy	49.20
Total	750 000.12

FINANCE MANAGER

Basic salary	390 000.00
13th Cheque	29 791.67
Transport allowance	75 000.00
Pension contributions	70 473.00
Medical aid	25 376.40
Housing Allowance	55 104.00
Cell phone	
UIF	1 497.36
Bargaining council levy	49.20
Total	647 291.63



TECHNICAL SERVICES MANAGER

Basic salary	325 000.00
13th Cheque	40 625.00
Transport allowance	103 780.60
Pension contributions	58 727.50
Medical aid	20 786.40
Cell phone	5 000.00
UIF	1 247.80
Bargaining council levy	41.00
Total	555 208.30

CORPORATE SERVICES AND DEVELOPMENT PLANNING MANAGER

Basic salary	376 472.76
13th Cheque	31 372.73
Transport allowance	75 000.00
Pension contributions	68 028.60
Medical aid	21 412.80
Cell phone	6 000.00
UIF	1 497.36
Bargaining council levy	49.20
Total	650 024.57



3.14 DISCLOSURE OF COUNCILLORS BENEFITS

The disclosures of Councillors benefits as per the 2010/2011;

Name	Salary	Travel allowance	Cell phone allowance	Pension Contribution	Medical Aid	UIF	Total
Clr V D Khen	R379 950.65	R145 689.96	R17 952.00	R57 514.04		R124.78	R601 231.43
Clr M D Modimogale (Exco)	R241 890.74	R92 724.94	R14 757.00	R36 283.74			R385 666.42
Clr B G Modise	R104 515.95	R40 064.75	R10 263.00	R15 677.42			R170 521.12
Clr P J Nel (Exco)	R153 210.84	R58 731.13	R11 196.00	R22 981.59			R246 119.56
Clr E L Adams (Exco)	R143 709.39	R55 088.88	R10 263.00	R21 556.37			R230 617.64
Clr S Arends	R94 691.99	R40 064.75	R10 263.00	R14 203.82	R11 390.40		R170 613.96
Clr S S Paul	R104 515.95	R40 064.75	R10 263.00	R15 677.42			R170 521.12
Clr R R Gaebee	R104 515.95	R40 064.75	R10 263.00	R15 677.42			R170 521.12
Clr F O Pitso	R117 580.44	R45 072.83	R11 196.00	R17 637.00			R191 486.27
Clr S Lewis	R117 580.44	R45 072.83	R11 196.00	R17 801.00			R191 650.27
Clr D Moeketsi	R129 744.62	R49 777.33	R11 759.00	R19 461.72		R124.78	R210 867.45
Clr M S Mooketsi	R104 515.95	R40 064.75	R10 263.00	R15 677.42			R170 521.12
Clr H Modiakgotla	R142 521.69	R54 633.64	R11 196.00	R21 378.27			R229 729.60
Clr M S Motshabi (speaker)	R138 259.44	R54 806.99	R11 952.00	R20 738.97	R15 832.80		R241 590.20
Clr S M Raadt	R104 515.95	R40 064.75	R10 263.00	R15 677.42			R170 521.12
Clr K D Mashori	R114 017.40	R43 707.00	R11 196.00	R17 224.33			R186 144.73
Clr G J Visser	R104 515.95	R40 064.75	R10 263.00	R15 677.42			R170 521.12
Clr M Gill	R104 515.95	R40 064.75	R10 263.00	R15 677.42			R170 521.12
COUNCILLOR'S TOTAL	R2 504 769.29	R965 823.53	R204 777.00	R376 522.79	R27 223.20	R249.56	R4 079 365.37



3.15 GOVERNANCE MEETINGS

Council meetings

Councillor	Meetings for the year	Meetings attended
Clr V Khen	16	11
Clr M Motshabi	16	06
Clr M D Modimogale	16	16
Clr E Adams	16	15
Clr P Nel	16	12
Clr R Gaebee	16	13
Clr H Modiakgotla	16	16
Clr S Paul	16	14
Clr B Modise	16	13
Clr S Lewis	16	14
Clr M Gill	16	14
Clr D Moeketsi	16	13
Clr M Raadt	16	13
Clr S Mooketsi	16	10
Clr D Mashorie	16	16
Clr Visser	16	15
Clr S Arends	16	15

EXECUTIVE COMMITTEE MEETINGS

Councillor	Meetings for the year	Meetings attended
Clr V Khen (Chairperson)	03	02
Clr M Modimogale	03	03
Clr E Adams	03	03
Clr P Nel	03	02

Councillor	Meetings for the year	Meetings attended
Clr E Adams (Chairperson)	01	01
Clr P Nel	01	01
Clr M Raadt	01	01
Clr F Pitso	01	01

**CORPORATE SERVICES & DEVELOPMENT PLANNING**

Councillor	Meetings for the year	Meetings attended
Clr M Modimogale (Chairperson)	01	01
Clr S Paul	01	01
Clr M Gill	01	01
Clr G Visser	01	01

TECHNICAL SERVICES

Councillor	Meetings for the year	Meetings attended
Clr R Gaebee (Chairperson)	00	00
Clr B Modise	00	00
Clr S Arends	00	00
Clr D Moeketsi	00	00

FINANCE SERVICES

Councillor	Meetings for the year	Meetings attended
Clr H Modiakgotla (Chairperson)	02	02
Clr D Mashorie	02	02
Clr S Mooketsi	02	01
Clr S Lewis	02	02

**COUNCIL MANAGEMENT**

Most of the Council meetings took place according to schedule and the following council meetings took place during the year;

Council meeting 02/2010	- 06 July 2010
Council meeting 03/2010	- 5 October 2010
Council meeting 04/2010	- 29 November 2010
Council meeting 01/2011	- 15 February 2011
Council meeting 02/2011	- 06 April 2011
Council meeting 03/2011	- 14 April 2011
Council meeting 04/2011	- 31 May 2011

The following Special Council Meetings took place during the year;

Special Council meeting 09/2010	- 10 August 2010
Special Council meeting 10/2010	- 21 September 2010
Special Council meeting 11/2010	- 4 November 2010
Special Council meeting 12/2010	- 15 December 2010
Special Council meeting 01/2011	- 22 February 2011
Special Council meeting 02/2011	- 01 March 2011
Special Council meeting 03/2011	- 31 March 2011
Special Council meeting 04/2011	- 06 May 2011
Special Council meeting 05/2011	- 11 May 2011

Other meeting of Council Committees that took place are the following:

EXCO:

16 September 2010
16 November 2010
10 February 2011

SOCIAL AND COMMUNITY SERVICES SUB COMMITTEE

15 January 2011
9 February 2011

FINANCE SUB COMMITTEE

5 August 2010
24 February 2011

CORPORATE SERVICES SUB COMMITTEE

17 March 2011

TECHNICAL SUB COMMITTEE

No meetings



Chapter 4

AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

**AUDITED FINANCIAL STATEMENTS
(2010 / 2011)**

AND

RELATED FINANCIAL INFORMATION





PHOKWANE MUNICIPALITY

[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2011

**PHOKWANE MUNICIPALITY****Index**

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**PHOKWANE MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****GENERAL INFORMATION****NATURE OF BUSINESS**

Phokwane Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Phokwane Municipality includes the following areas:

Pampierstad, Hartswater, Jan Kemp Settlement and the Farming Areas. The geographical area is approximately 835km in extent and accommodates approximately 61314 people (Census 2001). It is a peri-urban area with serious socio-economic challenges versus unemployment, high rate of poverty, low skilled workforce and serious basic service infrastructure challenges such as roads, sewer network, housing and water services.

MEMBERS OF THE EXECUTIVE COMMITTEE

V Khen (Chairperson)
HM Modiakgotla
F Pitso
S Lewis

MEMBERS OF SUB-COMMITTEES

F Pitso - Chairperson: Social & Community Services
M Chakane - Chairperson: Corporate & Development Services
H Modiakgotla - Chairperson: Budget & Treasury Services
P Mona - Chairperson: Technical & Engineering Services

MUNICIPAL MANAGER

MP Dichaba

CHIEF FINANCIAL OFFICER

TP Sediti

REGISTERED OFFICE

24 Hertzog Street
Hartswater
8570

AUDITORS

Auditor-General
P O Box 5103
Kimberley



PRINCIPLE BANKERS

ABSA

ATTORNEYS

On assignment appointments

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations



PHOKWANE MUNICIPALITY

MEMBERS OF THE PHOKWANE MUNICIPALITY

WARD	COUNCILLOR
1	I Riet
2	MF Mojapele
3	FO Pitso
4	AS Mokoena
5	D Meza
6	PJ Nel
7	CJS Adams
8	HM Modiakgotla
9	M Chakane
Proportional	V Khen
Proportional	DM Moeketsi
Proportional	P Mona
Proportional	KD Mashorie
Proportional	O Moremong
Proportional	D Meyer
Proportional	S Lewis
Proportional	GM Motebe
Proportional	S Nkomo

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 67 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

Municipal Manager

Date

**REPORT OF THE AUDITOR-GENERAL TO THE NORTHERN CAPE PROVINCIAL
LEGISLATURE AND THE COUNCIL ON PHOKWANE LOCAL MUNICIPALITY****REPORT ON THE FINANCIAL STATEMENTS****Introduction**

1. I was engaged to audit the accompanying financial statements of the Phokwane Local Municipality, which comprise statement of financial position as at 30 June 2011, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages ... to

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with Statements of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010 as amended) (DoRA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Because of the matters described in the basis for disclaimer of opinion paragraphs, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis of disclaimer of opinion**Cash and cash equivalents**

4. I could not obtain reasonable assurance on the existence, completeness, valuation and allocation of and right and obligation pertaining to cash and cash equivalents disclosed in note 19 as R10 099 995 (2010: R17 843 743) due to the matters listed below. There were no satisfactory alternative audit procedures that I could perform.
 - Sufficient appropriate audit evidence for debit journal entries of R49 837 939 and credit journal entries of R193 963 passed against reconciling items for cash and cash equivalents could not be obtained.
 - The bank reconciliation did not reconcile during the financial year under review. Sufficient appropriate audit evidence for corrections made to these reconciling items could not be obtained.

**Accumulated surplus**

5. The accumulated surplus was disclosed as R186 907 581 in the statement of financial position. I was unable to perform satisfactory audit procedures to obtain reasonable assurance on the valuation and allocation, existence, rights and obligations. An unexplained difference of R9 409 487 existed between the financial statements and the trial balance. Sufficient appropriate audit evidence could not be obtained for numerous transactions.

Statement of changes in net assets

6. Due to the impact of the limitation of scope on the accumulated surplus, I could not obtain reasonable assurance on the existence, valuation and allocation of assets as per the statement of changes in net assets. Furthermore, I could not obtain sufficient appropriate audit evidence for corrections made of R13 531 548 (2010: R2 588 592). This correction did not agree to the zero amount disclosed in note 31.

Cash flow statement

7. Due to the impact of the limitation of scope on the accumulated surplus and transactions that were passed against reconciling items for cash and cash equivalents, I could not obtain reasonable assurance on the valuation and allocation, existence, rights and obligations in the cash flow statement.
8. Presentation of a cash flow statement, summarising the entity's operating, investing and financing activities, is required by SA Standards of GRAP 2, *Cash flow statements*. The cash and cash equivalents of R8 966 113 presented in the cash flow statement did not agree to the cash and cash equivalents of R7 825 348 included in the statement of financial position. The net cash flows from operating activities and the cash and cash equivalents in the cash flow statement were overstated by R1 140 768.

Property, plant and equipment

9. I could not obtain reasonable assurance on the completeness, existence, valuation and allocation of and rights and obligation pertaining to property, plant and equipment disclosed in note 11 as R182 759 603 (2010: R142 669 576) due to the matters listed below. There were no satisfactory alternative audit procedures that I could perform.
- Additions was disclosed as R46 968 366 in note 11 to the financial statements and R47 804 927 in the assets register, which resulted in a difference of R836 533.
 - Sufficient appropriate audit evidence could not be obtained for land of R1 170 846 included in the asset register which, according to valuation roll, did not belong to the municipality.
 - Sufficient appropriate audit evidence could not be obtained for the valuation of property, plant and equipment of R17 917 480 included in the asset register.
 - Sufficient appropriate audit evidence could not be obtained for impairments of R640 867.
 - Sufficient appropriate audit evidence could not be obtained for the gain on the disposal of property, plant and equipment of R279 116.
 - Sufficient appropriate audit evidence for journal entries of R131 637 passed against property, plant and equipment could not be obtained.
 - Depreciation included in the asset register of R6 159 749 did not agree to depreciation in the financial statements of R6 800 257, resulting in the difference of R640 507.



10. SA Standards of GRAP 17, *Property, plant and equipment* states that subsequent to initial recognition at cost, an item of property, plant and equipment should be carried at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment were misstated due to the following matters:
- Depreciation was understated by R1 355 240 as a result of the accounting policy not being updated. This resulted in property, plant and equipment being overstated and depreciation and amortisation understated by the said amount.
 - Property, plant and equipment was overstated and VAT control account understated by R1 348 867 as the capitalised amount included VAT.
 - The asset register was not updated with disposal of R118 565. This resulted in an overstatement of property, plant and equipment. Furthermore, assets of R180 837 were not disclosed in the asset register. This resulted in an understatement of property, plant and equipment. I was unable to determine the effect on the other account balances or classes of transactions contained in the financial statements.

Trade receivables from exchange transactions

11. I could not obtain reasonable assurance on the completeness, existence, valuation and allocation of and rights pertaining to trade receivables from exchange transactions disclosed in note 16 as R93 300 888 (2010: R75 380 294) due to the matters listed below. There were no satisfactory alternative audit procedures that I could perform.
- The receivable age analysis and the financial statements at 30 June 2011 did not agree as a difference of R2 557 566 (2010: R34 713 082) was identified. The accuracy of the impairment of trade receivables amounting to R81 406 411 (2010: R63 612 130) could therefore not be verified due to this material difference between the receivable age analysis and the financial statements.
 - I could not obtain sufficient appropriate audit evidence for other consumer arrears disclosed as R30 953 573 in note 16 to the financial statements.
 - I could not obtain sufficient appropriate audit evidence for credit balance of R2 846 476 disclosed as receivables.
 - Sufficient appropriate audit evidence for journal entries passed against trade receivables could not be obtained.
12. International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement*, paragraphs 43 and 46 states that receivables have to be initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Trade receivables and revenue were understated by R3 528 270 (2010: R1 120 357), as interest was charged on the outstanding debtor accounts for services by using the incorrect tariff.

Employee benefits

13. I could not obtain reasonable assurance on the completeness, existence, valuation and allocation of and rights and obligation pertaining to staff leave disclosed in note 7 as R2 392 720 (2010: R2 848 536). There were no satisfactory alternative audit procedures that I could perform.
14. IAS 19 *Employee Benefits* paragraph 10(a) states that when an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short term employee benefits expected to be paid in exchange for that service as



a liability, after deducting any amount already paid. Staff leave disclosed in note 7 to the financial statements was overstated by R957 088 as a result of staff leave taken that was not captured on the leave system.

15. I could not obtain sufficient appropriate audit evidence for the comparative figure disclosed as R512 299 for bonuses in note 7 to the financial statement.

Disclosure and presentation

16. I was unable to perform satisfactory audit procedures to obtain reasonable assurance on credit balances of R3 239 347 and debit balances of R5 140 584 included in the trial balance. Evidence could not be obtained that these balances had been disclosed in the financial statements. The municipality's records did not permit the application of alternative audit procedures. I could not determine the impact on the financial statements.
17. In terms of SA Standards of GRAP 1 *Presentation of Financial Statements*, each material class of similar items shall be presented separately in the financial statements. Inventory of R1 567 343 and other expenditure of R6 839 491 in note 30 to the financial statements were not presented separately.
18. SA Standards of GRAP 19 *Provisions, Contingent Liabilities and Contingent Assets*, paragraph 110 states that unless the possibility of any outflow in settlement is remote, an entity shall disclose for each class of contingent liability at the reporting date a brief description of the nature of the contingent liability. The municipality did not disclose an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement in note 48 to the financial statements.
19. Additional disclosure as required by section 125 of the MFMA was not made for contributions to organised local government and amounts of any contributions outstanding as at the end of the financial year.
20. SA Standards of GRAP 13 *Leases*, states that a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. In terms of SA Standards of GRAP 1 *Presentation of Financial Statements*, each material class of similar items shall be presented separately in the financial statements. The municipality did not disclose finance and operating leases separately, which was also contrary to the accounting policy. Furthermore, the municipality did not disclose a general description of the lessee's significant leasing arrangements in accordance with SA Standards of GRAP 13 *Leases*, paragraph 46(e) and 50(d).
21. The municipality did not include an accounting policy for consumer deposits.
22. Disclosures were not made for VAT in note 40.3 to the financial statements, as required by section 125(1)(b) of the MFMA. VAT was disclosed as Rnul in note 40.3.
23. Distribution losses for water and electricity were not disclosed, as required by section 125(2d)(i) of the MFMA. The losses have not been quantified by the municipality.
24. I was unable to audit the following differences between the comparative amounts as per 2010-11 annual financial statements and the amounts disclosed in the 2009-10 annual financial statement; depreciation of R10 325 337, cash and cash equivalents of R33 934 619, cash flow statement of R19 894 664, trade and other payables of R14 692 729, taxes of R3 773 601, accumulated surplus of R291 236, consumer deposits of R136 210, unspent conditional government grants and receipts of R3 023 157, property, plant and equipment of R9 822 723, investment property of R120 041, intangible assets of R8 480, trade receivables from exchange transactions of R57 623 716, unpaid conditional



grants and receipts of R145 711, property taxes of R195 272, government grants and subsidies of R 6 732, service charges of R 5 490 074, rental of facilities and equipment of R81 669, interest earned – external investments of R3 384, licences and permits of R1 699 and other income of R1 718 683.

The financial statements did not always indicate the details of these restatements as required by SA Standards of GRAP 1 *Presentation of Financial Statements* and SA Standards of GRAP 3 *Accounting policies, changes in accounting estimates and errors*. The municipality's records did not permit the application of alternative audit procedures.

25. The correction of a prior year error made to cash and cash equivalents of R33 934 620, disclosed in note 19, did not agree to the amount of R16 850 004 disclosed in note 31.04, resulting in a difference of R17 084 616.
26. I was unable to audit the difference between the trial balance and the amounts disclosed in the annual financial statement for the following line items: trade and other payables of R61 216 389, unspent conditional grants and receipts of R1 736 840, property, plant and equipment of R13 112 728, investment property of R13 412 288, trade receivables from exchange and non-exchange transactions of R43 076 289, unpaid conditional grants and receipts of R7 889 465, service charges of R3 214 636 and property rates of R833 415 159. The municipality's records did not permit the application of alternative audit procedures. I could not determine the impact on the financial statements.

Irregular expenditure

27. I could not obtain reasonable assurance on the completeness of the irregular expenditure disclosed in note 38.3 to the financial statements as not all payment- and tender documentation could be obtained. There were no satisfactory alternative audit procedures that I could perform.
28. Accounting policy note 1.25 prescribes the accounting treatment of irregular expenditure. Irregular expenditure disclosed in note 38.03 to the financial statements was misstated in relation to the following:
- Irregular expenditure was understated by R4 978 614 in respect of contraventions of the supply chain management regulations. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers, as per the requirements of SCM regulation 17(a) and (c).

Trade and other payables

29. I could not obtain reasonable assurance on the completeness, existence, valuation and allocation of and obligations pertaining to other payables disclosed in note 8 as R15 008 197 (2010: R27 360 318). There were no satisfactory alternative audit procedures that I could perform.
30. IAS 39 *Financial Instruments: Recognition and Measurement* states that payables are recognised as liabilities when the entity becomes a party to the contract and, as a consequence, has a legal obligation to pay cash. Payables were overstated by R3 864 996 due to VAT for consumer debtors impaired incorrectly being included as a VAT payable.



Commitments

31. SA Standards of GRAP 17 *Property, Plant and Equipment*, states that the financial statements shall also disclose the amount of contractual commitments for the acquisition of property, plant and equipment. Commitments were understated by at least R87 590 077 (R2010: not quantified) in respect of projects in progress.

Employee-related cost

32. I could not obtain reasonable assurance on the completeness, accuracy, classification and occurrence of employee-related cost disclosed in note 24 as R33 095 297 (2010: R29 353 821), due to the matters listed below. There were no satisfactory alternative audit procedures that I could perform.
- Supporting documentation could not be obtained to substantiate the difference of R297 284 (2010: R2 769 780) between the payroll and the financial statements.
 - Sufficient appropriate audit evidence for housing benefits and allowances of R206 345, annual bonuses of R1 846 382, leave payments of R329 776 and wages of R329 585 disclosed in note 24 to the financial statements could not be obtained.
 - Sufficient appropriate audit evidence for journal entries of R143 523 passed against employee-related cost could not be obtained.

Taxes

33. Taxes were disclosed as R3 111 171 (2010: R9 403 439) in note 10 to the financial statements. I was unable to perform satisfactory audit procedures to obtain reasonable assurance on the existence, valuation and completeness of and rights and obligations pertaining to VAT disclosed. I was unable to satisfy myself by alternative means concerning the following inconsistencies and limitations identified:
- I was unable to audit the difference of R13 696 636 between the VAT control account at year-end and the VAT 201 return submitted for June 2011 due to the reconciliation not being provided for audit purposes. No alternative procedures could be performed.
 - Sufficient appropriate audit evidence could not be obtained for transactions processed against the VAT control account of R102 849 150.
34. IAS 39 *Financial Instruments: Recognition and Measurement* states that receivables are recognised as assets when the entity has a legal right to receive cash. The VAT receivable was misstated due to the following:
- The VAT receivable was understated and expenditure overstated by R1 987 514. The amount disclosed in note 10 amounted to R3 111 171 and South African Revenue Services statement of account reflected a R5 098 685 receivable.
 - The VAT receivable was understated, as VAT was not claimed on consumer deposits that were applied against unpaid outstanding debtor accounts.
 - VAT receivable and expenditure were overstated by R100 267, as VAT was not claimed on some tax invoices.

Inventory

35. SA Standards of GRAP 12, *Inventories*, par 09 states that inventories encompass goods purchased and held for resale including land and other property held for sale. Inventory was understated by R4 620 955 in respect of land intended to be sold which was not disclosed, stolen inventory not written off and obsolete inventory not impaired. The municipality did not



disclose municipal land available for sale.

36. I could not obtain sufficient appropriate audit evidence for adjustments made to inventory of R156 509. There were no satisfactory alternative audit procedures that I could perform.

Unspent conditional grants

37. I could not obtain reasonable assurance on the rights and obligation, existence, valuation and allocation pertaining to unpaid conditional grants disclosed in note 9 as R7 889 466 (2010: R6 603 059). There were no satisfactory alternative audit procedures that I could perform.
38. SA Standards of GRAP 23, *Revenue from non-exchange transaction*, state that an inflow of resources from a non-exchange transaction shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. Any liability recognised would be decreased and revenue recognised as and when the municipality complies with the restrictions of the grant. Unspent conditional grants, unauthorised and general expenditure was understated by R5 967 139 in respect of over-expenditure on projects relating to the municipal infrastructure grant of R4 128 210, integrated national electrification grant of R1 044 260 and other grants of R794 669 disclosed in note 21 to the financial statements. Furthermore revenue for grants was disclosed as R98 400 183 in the statement of financial performance. The amount for which the grant conditions were met that should have been disclosed as revenue amounted to R69 397 302. This resulted in revenue and capital expenditure being overstated by R29 002 881. Included in this overstatement were funds that were received from the Department of Cooperative Governance, Human Settlements and Traditional Affairs for which the municipality act as an implementing agent.

Revenue

39. I could not obtain reasonable assurance on the completeness, accuracy, cut-off, classification and occurrence of revenue disclosed in note 20 as R105 719 947 (2010: R79 356 975) due to the matters listed below. There were no satisfactory alternative audit procedures that I could perform.
- Sufficient appropriate audit evidence for journals of R136 509 154 passed against revenue items could not be obtained. These transactions were passed against refuse removal, sewerage and sanitation charges, government grants and subsidies and rental of facilities and equipment.
 - Reconciliations were not performed for prepaid electricity that was sold on behalf of the municipality amounting to R12 244 530 according to the financial statements.
40. SA Standards of GRAP 23, *Revenue from non-exchange transactions* states that an inflow of resources from a non-exchange transaction shall be recognised as revenue. Property rates disclosed in note 20 to the financial statements and trade and other receivables were overstated by R1 609 349 due to the incorrect valuation roll used. Rebates were also understated by R1 207 227.
41. SA Standards of GRAP 9, *Revenue from exchange transactions* states that revenue from the sale of goods shall be recognised when all the measurement and recognition criteria have been satisfied. Service charges disclosed in note 22 for water were understated and trade receivables from exchange transactions overstated by R786 182 due to the incorrect tariff used.
42. The municipality did not apply the electricity rates prescribed by the National Energy



Regulator of South Africa as required by section 15 of the Electricity Regulation Act, 2006 (Act No. 4 of 2006). This resulted in an overstatement of service charges and trade and other receivables of R265 659.

Expenditure

43. I could not obtain reasonable assurance on the completeness, accuracy, classification and occurrence of expenditure disclosed as R145 345 056 (2010: R102 104 346), due to the matters listed below. There were no satisfactory alternative audit procedures that I could perform.
- Sufficient appropriate audit evidence for journal entries of R3 497 158 passed against expenditure items could not be obtained. These transactions were passed against grants and subsidies paid, finance charges, general expenditure, repairs and maintenance and bulk purchases.
 - I could not obtain sufficient appropriate audit evidence for expenditure transaction relating to repairs and maintenance that was disclosed as R2 582 447.
44. SA Standards of GRAP 1 *Presentation of Financial Statements* paragraph 18 states that the financial statements shall present fairly the financial performance of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for expenses. Finance charges were understated by R160 379 as not all interest paid was disclosed. General expenditure and trade and other payables were also understated by R256 874 due to expenditure amounting to less than the invoice amount.

Disclaimer of opinion

45. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Emphasis of matters

46. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

47. The corresponding figures for the year ended 30 June 2010 have been restated as a result of the change in accounting policy. Details of the restatements and reclassifications of certain amounts are disclosed in note 31 to the financial statements.

Additional matters

48. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

49. The supplementary information provided set out on pages xxx to xxx is not clearly differentiated from the audited financial statements. I have not audited these schedules and accordingly I do not express an opinion thereon.

Material inconsistencies in other information included in the annual report

50. At the date of this audit report certain components of the annual report had not been received and as a result a conclusion is not drawn on the consistency between the financial statements and audit report, and other information included in the annual report.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

51. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages ... to ... and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives**Presentation of information****Non-compliance with regularity requirements**

52. I was unable to conduct the audit of performance against predetermined objectives as the municipality did not prepare the annual performance report as required by section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and section 121(3)(c) of the MFMA.

Compliance with laws and regulations**Strategic planning and performance management**

53. The municipal council did not, within the prescribed period after the start of its elected term, adopt a process set out in writing to guide the planning, drafting, adoption and review of its integrated development plan, contrary to the requirements of section 28(1) of the MSA.

54. The municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, contrary to the requirements of sections 38, 39, 40 and 41 of the MSA and Municipal Planning and Performance Management Regulations 7 and 8.

55. The accounting officer of the municipality did not submit the results of the assessment on the performance of the municipality during the first half of the financial year to the mayor of the municipality, the National Treasury and the provincial treasury, contrary to the requirements of section 72(1)(b) of the MFMA.

Budgets

56. The municipality incurred expenditure in excess of the limits provided for in the votes in the approved budget, contrary to the requirements of section 15 of the MFMA. The overspending was subsequently condoned by council.

57. The mayor did not submit all quarterly reports to council on the implementation of the budget and the financial state of affairs of the municipality within 30 days after the end of each quarter, contrary to the requirements of section 52(d) of the MFMA.

Annual financial statements, performance and annual report

58. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a disclaimer audit opinion.

59. The mayor did not table in council the 2009-10 annual report of the municipality, within seven months after the end of the financial year, contrary to the requirements of section 127(2) of the MFMA. The annual report was tabled on 3 August 2011.

60. The mayor did not submit a written explanation to the council setting out the reasons for the



delay in tabling of the 2009-10 annual report in council, contrary to the requirements of section 127(3) of the MFMA.

61. The performance report for the financial year under review was not prepared, contrary to the requirements of section 46 of the MSA and section 121(3)(c) of the MFMA.

Audit committee

62. The municipality did not have an audit committee for the year under review, contrary to the requirements of section 166(1) of the MFMA.
63. The municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee, contrary to the requirements of regulation 14(2)(a) of the Municipal Planning and Performance Management Regulations, 2001.

Internal audit

64. The internal auditors of the municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager, as required by Municipal Planning and Performance Management Regulation 14.
65. The internal audit unit did not function contrary to the requirements of section 165(2) of the MFMA, in that:
- internal audit did not prepare a risk-based audit plan and an internal audit programme for the financial year under review;
 - internal audit did not report to the audit committee on the implementation of the internal audit plan;
 - internal audit did not advise the accounting officer and did not report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.

Procurement and contract management

66. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers, contrary to the requirements of SCM regulation 17(a) and (c).
67. Quotations were accepted from prospective providers who were not on the list of accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy, contrary to the requirements of SCM regulation 16(b) and 17(b).
68. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by means of inviting competitive bids, contrary to the requirements of SCM regulation 19(a) and 36(1).
69. Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services, contrary to the requirements of SCM regulation 27(2)(a).
70. Sufficient appropriate audit evidence could not be obtained that awards were made to providers based on criteria that were similar to those stipulated in the original bid documents and were stipulated in the original bid documents, contrary to the requirements of SCM regulation 21(b) and 28(1).



71. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, contrary to the requirements of SCM regulation 22(1) and 22(2).
72. Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality, contrary to the requirements of SCM regulation 27(3).
73. Sufficient appropriate audit evidence could not be obtained that bids were evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods or services and at least one SCM practitioner of the municipality, contrary to the requirements of SCM regulation 28(2).
74. Sufficient appropriate audit evidence could not be obtained that final awards and recommendation of awards to the accounting officer were made by an adjudication committee constituted, contrary to the requirements of SCM regulation 29(2).
75. Sufficient appropriate audit evidence could not be obtained that awards were made to providers whose tax matters had been declared by the South African Revenue Services to be in order, contrary to the requirements of SCM regulation 43.
76. Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state, contrary to the requirements of SCM regulation 13(c).
77. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000, contrary to the requirements of section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and SCM regulation 28(1)(a).
78. Sufficient appropriate audit evidence could not be obtained that awards were made to suppliers based on preference points that were allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
79. Sufficient appropriate audit evidence could not be obtained that awards were made to suppliers who scored the highest points in the evaluation process, contrary to the requirements of section 2(1)(f) of Preferential Procurement Policy Framework Act.
80. The performance of contractors was not monitored on a monthly basis, contrary to the requirements of section 116(2)(b) of the MFMA.

Human resource management

81. Senior managers directly accountable to the municipal manager did not sign annual performance agreements for the year under review in time, contrary to the requirements of section 57(1)(b) and 57(2)(a) of the MSA.

Asset management

82. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounts for the assets of the municipality contrary to the requirements of section 63(2)(a) of the MFMA.
83. The municipality disposed of more capital assets than approved by council, contrary to section 14(2)(a) of the MFMA and Municipal Asset Transfer Regulation 5.

Expenditure management

84. The accounting officer did not take reasonable steps to prevent unauthorised expenditure,



irregular expenditure and fruitless and wasteful expenditure, contrary to the requirements of section 62(1)(d) of the MFMA.

85. The municipality did not recover unauthorised, irregular or fruitless and wasteful expenditure from the liable person, contrary to the requirements of section 32(2) of the MFMA.

Revenue management

86. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which recognises revenue when it is earned, contrary to the requirements of section 97(h) of the MFMA.
87. A credit control and debt collection policy was not implemented, contrary to the requirements of section 96(b) of the MSA.

INTERNAL CONTROL

88. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

89. The mayor was retained during the May 2011 municipal election. The employment contract of the accounting officer was renewed on a month-to-month basis from 31 May 2011. The chief financial officer position was filled in January 2010, half way during the financial year. The positions for technical manager and corporate manager were vacant.
90. The accounting officer of the municipality did not ensure that internal control procedures are developed, implemented and monitored that will ensure that:
- bank reconciliations, debtors reconciliations, creditors reconciliations and VAT reconciliations are performed and reviewed on a monthly basis.
 - monthly sets of financial statements are prepared and subjected to review.
 - the property, plant and equipment of the municipality are reported on.
91. The municipality compiled an action plan after the 2009-10 financial year to address the matters reported in that audit report, but failed to implement the actions. Management did not monitor the action plan. Management appointed consultants to address some of the prior year audit findings and to prepare the 2010-11 annual financial statements. The work performed by the consultants was not sufficiently monitored, resulting in the inability of the municipality to provide sufficient and appropriate supporting documentation and explanations for adjustments and disclosures made.

Financial and performance management

92. The municipality did not have the capacity to address backlog issues and financial system problems, resulting in the need to appoint consultants. Consultants assisted with the preparation of a valuation roll, asset register and annual financial statements.
93. The financial statements were not reviewed for completeness and accuracy prior to submission for audit.



94. Requested information was not made available timeously and sometimes not at all, resulting in a limitation of scope on our audit.
95. The municipality did not implement a performance management system, which resulted in the annual performance report not being prepared and submitted.
96. The municipality did not review and monitor compliance with applicable laws and regulations.

Governance

Risk identification and management

97. The accounting officer of the municipality did not ensure that a financial and risk unit is established. The municipality did not identify risks relating to the achievement of financial and performance reporting objectives. Consequently, controls were not developed to prevent, detect and correct material misstatements in financial reporting and reporting on predetermined objectives.

Audit committee

98. The municipality did not establish an audit committee. Consequently, the committee did not approve the internal audit plan and has not exercised any oversight of the implementation of the matters reported by the internal audit function.

Internal audit

99. The internal audit section reported to the municipal manager as no audit committee had been established for the year under review. This negatively impacted on the independence and operation of the internal audit section.

OTHER REPORTS

Investigations

100. Council requested the internal audit unit to investigate possible overpayment to certain suppliers.

Auditor - General

Kimberley

30 November 2011



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence



PHOKWANE MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	2011 R	2010 R
NET ASSETS AND LIABILITIES			
Net Assets		186,907,581	152,499,933
Accumulated Surplus		186,907,581	152,499,933
Non-Current Liabilities		14,357,367	10,331,286
Long-term Liabilities	3	1,123,649	1,373,201
Non-Current Employee Benefits	4	12,573,518	8,337,740
Non-Current Provisions	5	660,200	620,345
Current Liabilities		27,004,704	38,665,763
Consumer Deposits	6	1,936,417	1,762,444
Current Employee Benefits	7	3,612,730	3,824,366
Trade and other payables	8	16,336,849	16,157,994
Unspent Conditional Government Grants and Receipts	9	4,740,074	7,508,095
Cash and Cash Equivalents	19	-	7,950,249
Current Portion of Long-term Liabilities	3	378,634	1,462,614
Total Net Assets and Liabilities		228,269,652	201,496,982
ASSETS			
Non-Current Assets		183,968,990	144,878,035
Property, Plant and Equipment	11	182,759,603	142,669,576
Non-Current Assets Held for Sale	12	-	1,000,000
Investment Property	13	1,188,145	1,188,145
Intangible Assets	14	21,242	20,313
Current Assets		44,300,662	56,618,947
Inventory	15	1,574,246	853,520
Trade Receivables from exchange transactions	16	11,894,477	11,768,164
Other Receivables from non-exchange transactions	17	971,695	10,147,023
Unpaid Conditional Government Grants and Receipts	9	7,889,466	6,603,059
Taxes	10	3,111,171	9,403,439
Current Investments	18	8,759,612	-
Cash and Cash Equivalents	19	10,099,995	17,843,743
Total Assets		228,269,652	201,496,982



**PHOKWANE MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	2011 (Actual) R	2010 (Restated) R	Correction of error R	2010 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		105,719,947.70	79,356,975.35	(995,208)	80,352,183
Taxation Revenue					
Property taxes	20	7,192,024	6,251,181	(195,272)	6,446,453
Transfer Revenue					
Government Grants and Subsidies	21	98,400,183	72,963,664	(793,204)	73,756,867
Other Revenue					
Fines		127,741	142,131	(6,732)	148,863
Actuarial Gains	4	-	-	-	-
Revenue from Exchange Transactions		60,222,092	65,670,010	(3,688,037)	69,358,047
Service Charges		47,549,229	52,023,841	(5,490,074)	57,513,915
Rental of Facilities and Equipment		139,403	302,916	81,669	221,246
Interest Earned - current account		-	-	-	-
Interest Earned - external investments		846,086	551,257	3,384	547,873
Interest Earned - outstanding debtors		8,236,601	5,873,581	-	5,873,581
Licences and Permits		1,296,718	1,610,486	(1,699)	1,612,185
Income for Agency Services		989,625	694,948	-	694,948
Other Income	23	1,164,431	4,612,982	1,718,683	2,894,299
Total Revenue		165,942,039	145,026,986	(4,683,245)	149,710,231



EXPENDITURE

Employee related costs	24	33,095,297	28,548,337	(805,484)	29,353,821
Remuneration of Councillors	25	4,453,852	4,119,204	-	4,119,204
Debt Impairment	26	29,063,588	3,674,105	-	3,674,105
Depreciation and Amortisation		6,159,390	6,954,695	(5,134,859)	12,089,554
Impairments		640,867	2,263	2,263	-
Repairs and Maintenance		2,582,447	3,832,327	(32,821)	3,865,148
Finance Charges	27	923,890	1,017,761	30,079	987,682
Actuarial losses	4	3,482,490	-	-	-
Bulk Purchases	29	41,377,343	34,565,739	3,211,287	31,354,452
Contracted services		413,715	318,077	(956,830)	1,274,907
Grants and Subsidies Paid	29	1,210,850	1,639,263	-	1,639,263
General Expenses	30	21,941,328	17,432,575	1,267,252	16,165,323
Total Expenditure		145,345,056	102,104,346	(2,419,114)	104,523,460
Operating Surplus for the Year		20,596,984	42,922,639	(2,264,131)	45,186,771
Loss on disposal of Property, Plant and Equipment		-	-	-	-
Gain on disposal of Property, Plant and Equipment		279,116	-	-	-
NET SURPLUS/(DEFICIT) FOR THE YEAR		20,876,099	42,922,639	(2,264,131)	45,186,771

Refer to Appendix D(1) for explanation of budget variances



**PHOKWANE MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011**

	Accumulated Surplus/ (Deficit) R	Total R
Balance at 30 JUNE 2009	107,604,398	107,604,398
Correction of error - Note 31	(2,879,828)	(2,879,828)
Balance at 1 JULY 2009	104,724,570	104,724,570
Net Surplus for the year as stated previously	45,186,771	45,186,771
Correction of error - Note 31	2,588,592	2,588,592
Balance at 30 JUNE 2010	152,499,933	152,499,933
Correction of error - Note 31	13,531,548	13,531,548
Net Surplus/(Deficit) for the year	20,876,099	20,876,099
Balance at 30 JUNE 2011	186,907,580	186,907,581



PHOKWANE MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 R	2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		144,538,206	120,884,776
Cash paid to suppliers and employees		(97,016,447)	(92,448,429)
Cash generated by operations	33	47,521,759	28,436,347
Interest Received		9,082,686	6,424,838
Interest Paid		(923,890)	(1,017,761)
Net Cash from Operating Activities		55,680,556	33,843,424
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(46,968,366)	(26,595,702)
Proceeds on Disposal of Fixed Assets		279,116	-
Increase in Intangible Assets		(6,397)	(13,565)
Increase in Investment Properties		-	-
Decrease in Long-term Receivables		-	1,080
Net Cash from Investing Activities		(46,695,648)	(26,608,187)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(1,333,532)	(1,256,808)
Increase in Consumer Deposits		173,972	169,870
Net Cash from Financing Activities		(1,159,560)	(1,086,937)
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,825,348	6,148,301
Cash and Cash Equivalents at the beginning of the year		9,893,495	3,745,193
Cash and Cash Equivalents at the end of the year	34	17,718,842	9,893,495
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,825,348	6,148,301



**PHOKWANE MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
2 NET ASSET RESERVES		
RESERVES		
Capital Replacement Reserve	-	-
Capitalisation Reserve	-	-
Government Grant Reserve	-	-
Total Net Asset Reserve and Liabilities	-	-
3 LONG TERM LIABILITIES		
Sinking Fund loan from ABSA	1,000,000	1,000,000
Government Loans : Other	107,493	1,207,271
Capitalised Lease Liability - At amortised cost	394,791	628,544
	1,502,283	2,835,815
Less: Current Portion transferred to Current Liabilities	378,634	1,462,614
Government Loans : Other	107,493	1,207,271
Capitalised Lease Liability - At amortised cost	271,142	255,343
	1,123,649	1,373,201
Total Long-term Liabilities - At amortised cost using the effective interest rate method	1,123,649	1,373,201
The obligations under government loans are scheduled below:	Minimum loan payments	
Amounts payable under loans:		
Payable within one year	107,656	1,305,312
Payable within two to five years	-	-
	107,656	1,305,312
Less: Future finance obligations	(163)	(98,041)
Present value of loan obligations	107,493	1,207,271



The Government loans have an maturity date of 30 June 2011.
The final payment is outstanding and was paid in August 2011.

The obligations under finance leases are scheduled below:

Minimum
lease payments

Amounts payable under finance leases:

Payable within one year	309,105	332,554
Payable within two to five years	129,501	412,439
	<u>438,606</u>	<u>744,993</u>
Less: Future finance obligations	<u>(43,815)</u>	<u>(116,449)</u>
Present value of lease obligations	<u>394,791</u>	<u>628,544</u>

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Leases are secured by property, plant and equipment - Note 11

4 NON-CURRENT EMPLOYEE BENEFITS

Post Retirement Benefits - Refer to Note 4.1	10,977,282	7,153,637
Long Service Awards - Refer to Note 4.2	1,596,236	1,184,103
Total Non-current Employee Benefits	<u>12,573,518</u>	<u>8,337,740</u>

Post Retirement Benefits

Balance 1 July	7,445,908	6,863,656
Contribution for the year	927,794	853,596
Expenditure for the year	(292,271)	(271,344)
Actuarial Loss/(Gain)	3,303,407	-
Total post retirement benefits 30 June	11,384,838	7,445,908
Transfer of Current Portion to Current		
Less: Employee Benefits - Note 7	<u>(407,556)</u>	<u>(292,271)</u>
Balance 30 June	<u>10,977,282</u>	<u>7,153,637</u>



The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Long Service Awards

Balance 1 July	1,355,364	1,290,847
Contribution for the year	318,663	293,439
Expenditure for the year	(171,261)	(228,922)
Actuarial Loss/(Gain)	179,083	-
Total long service 30 June	1,681,849	1,355,364
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(85,613)	(171,261)
Balance 30 June	1,596,236	1,184,103

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	8,801,272	8,154,503
Contribution for the year	1,246,457	1,147,035
Expenditure for the year	(463,532)	(500,266)
Actuarial Loss/(Gain)	3,482,490	-
Total employee benefits 30 June	13,066,687	8,801,272
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(493,169)	(463,532)
Balance 30 June	12,573,518	8,337,740

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	68	73
In-service probable future members (In-service (employee) non-members who have indicated that they will join a scheme on retirement.	47	-
Continuation members (e.g. Retirees, widows, orphans)	20	15
Total Members	135	88



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The liability in respect of past service has been estimated to be as follows:

In-service members	6,306,656	3,390,636
Continuation members	5,078,182	4,055,272
Total Liability	11,384,838	7,445,908

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
Hosmed;
LA Health;
Key Health;
SAMWU Medical Aid and
Medshield.

The Future-service Cost for the ensuing year is estimated to be R 634 512, whereas the Interest Cost for the next year is estimated to be R 965 364.

	2011	2010
	%	%
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	8.63	9.21
Health Care Cost Inflation Rate	7.32	7.71
Net Effective Discount Rate	1.22	1.39

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 63 years.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	11,384,838	7,445,908
Net liability/(asset)	11,384,838	7,445,908



The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	7,445,908	6,863,656
Total expenses	635,523	582,252
Current service cost	255,431	233,897
Interest Cost	672,363	619,699
Benefits Paid	(292,271)	(271,344)
Actuarial (gains)/losses	3,303,407	-
Present value of fund obligation at the end of the year	11,384,838	7,445,908
Less: Transfer of Current Portion - Note 7	(407,556)	(292,271)
Balance 30 June	10,977,282	7,153,637

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

A one-year age reduction in the assumed rates of post-retirement mortality;

A one-year decrease in the assumed average retirement age; and

A 50% reduction in the assumed withdrawal rates

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	6.307	5.078	11.385	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	7.757	5.606	13.363	17%
Health care inflation	-1%	5.172	4.622	9.794	-14%
Post-retirement mortality	-1 year	6.517	5.268	11.785	4%
Average retirement age	-1 year	6.766	5.078	11.845	4%
Withdrawal Rate	-50%	7.045	5.078	12.124	6%



4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 219 employees were eligible for Long Service Bonuses.

The Future-service Cost for the ensuing year is estimated to be R190 092, whereas the Interest cost for the next year is estimated to be R126 205.

Key actuarial assumptions used:	%	%
i) Rate of interest		
Discount rate	7.70	9.01
General Salary Inflation (long-term)	6.25	6.62
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.36	2.24

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1,681,849	1,355,364
Net liability	1,681,849	1,355,364

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1,355,364	1,290,847
Total expenses	147,402	64,517

Current service cost	204,090	187,221
Interest Cost	114,573	106,218
Benefits Paid	(171,261)	(228,922)

Actuarial (gains)/losses	179,083	-
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Present value of fund obligation at the end of the year	1,681,849	1,355,364
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Less: Transfer of Current Portion - Note	(85,613)	(171,261)
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Balance 30 June	1,596,236	1,184,103
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Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		1.682	
General salary inflation	1%	1.783	6%
General salary inflation	-1%	1.589	-6%
Average retirement age	-2 yrs	1.492	-11%
Average retirement age	2 yrs	1.904	13%
Withdrawal rates	-50%	1.949	16%

4.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2009 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2010 financial year.

Contributions paid recognised in the Statement of Financial Performance	204,594	139,481
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CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).

Contributions paid recognised in the Statement of Financial Performance	641,605	623,128
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DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

Government Employees Pension Fund	521,654	122,670
Municipal Councillors Pension Fund	719,898	708,142
Municipal Employees Pension Fund	144,538	496,173
SALA Pension Fund	1,596,768	1,369,306
SAMWU National Provident Fund	1,620,856	1,418,951
	4,603,713	4,115,241

5 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	660,200	620,345
Balance as previously reported	-	-
Correction of error - note 31.01	-	620,345
Total Non-current provisions	660,200	620,345

Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 50

A land fill sit provision has been raised in connection with the provision being required for Jan Kemp's Land fill sites rehabilitation.

Landfill Sites

Balance 1 July	620,345	590,266
Contribution for the year	39,855	30,079
Total provision 30 June	660,200	620,345
Less: Current Portion to Current Provisions	-	-
Balance 30 June	660,200	620,345



6 CONSUMER DEPOSITS

Electricity and Water	1,936,417	1,626,234
Correction of prior period error on consumer deposits - note 31.03	-	136,211

Total Consumer Deposits	1,936,417	1,762,444
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Guarantees held in lieu of Electricity and Water Deposits	-	-
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The fair value of consumer deposits approximate their carrying value. No discounting of consumer deposits is being performed due to the uncertainty of the timing of future repayments. Interest is not paid on these amounts.

7 CURRENT EMPLOYEE BENEFITS

Staff Leave	2,392,720	2,848,536
Balance as previously stated	-	2,848,536
Correction of prior period error - note 31.06	-	-

Employee bonuses	726,841	512,299
Current Portion of Non-Current Employee benefits	493,169	463,532
Current Portion of Post Retirement Benefits - Note 4	407,556	292,271
Current Portion of Long-Service Awards - Note 4	85,613	171,261

Total Provisions	3,612,730	3,824,366
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The movement in current provisions are reconciled as follows:

Post Retirement Benefits

Balance at beginning of year	292,271	271,344
Adjustment from non-current	115,285	20,927

Balance at end of year	407,556	292,271
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Long-service Awards

Balance at beginning of year	171,261	228,922
Adjustment from non-current	(85,648)	(57,661)

Balance at end of year	85,613	171,261
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Staff Leave

Balance at beginning of year	2,848,537	1,298,310
Contribution to provision	679,445	1,601,369
Payments made during the year	(1,135,261)	(51,142)
Correction of prior period error - note 31.06	-	-

Balance at end of year	2,392,721	2,848,537
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Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. Which is capped to 48 days leave. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Employee Bonuses

Balance at beginning of year	512,299	512,299
Contribution to provision	1,846,382	-
Expenditure incurred	(1,631,840)	-

Balance at end of year	726,841	512,299
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Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represents the portion of the bonus that has already vested for the current salary cycle. There is no possibility of reimbursement.

TOTAL - CURRENT EMPLOYEE BENEFITS

Balance at beginning of year	3,824,368	2,310,875
Adjustment from non-current	29,637	(36,734)
Contribution to provision	2,525,827	1,601,369
Expenditure incurred	(1,135,261)	(51,142)
Correction of prior period error - note 31.06	-	-

Balance at end of year	5,244,571	3,824,368
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For more information regarding the provisions for Post Retirement Benefits and Long-term Service Awards - Refer to Note 4 to the Financial Statements, Other Defined Benefit Plan Information

8 TRADE AND OTHER PAYABLES

Trade Payables	1,327,817	3,462,705
Payments received in advance	-	-
Other Creditors	15,008,197	27,360,318
Deposits: Other	834	27,700
Correction of prior period error - note 31.05	-	(14,692,729)

Total Trade Payables	16,336,849	16,157,994
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Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

Other deposits include hall and other deposits.

9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

9.01 Conditional Grants from other spheres of Government

Unspent Grants	4,740,074	7,508,095
National Government Grants	-	-
Provincial Government Grants	-	-
District Municipality	-	-
Other Grant Providers	4,740,074	7,508,095
Less: Unpaid Grants	7,889,466	6,603,059
National Government Grants	7,889,466	6,603,059
Provincial Government Grants	-	-
District Municipality	-	-
Other Grant Providers	-	-
Total Conditional Grants and Receipts	(3,149,392)	905,036

Reconciliation of total grants and receipts

Balance previously reported	(2,263,832)
Correction of error refer to note 31.09	3,168,868
	905,036

See appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

10 TAXES

VAT Receivable / (Payable)	3,111,171	9,403,439
Balance as previously reported	-	5,629,838
Correction of error - note 32.07	-	3,773,614

VAT is (payable)/receivable on the cash basis.



	2011	2010
	R	R

11 ASSETS PLEDGED AS SECURITY

No assets have been pledged as security.

Impairment of property plant and equipment for the year

Impairment charges on Property, plant and equipment recognised in statement of financial performance

Infrastructure	408,513	-
Other	224,998	-
	633,511	-

During a verification of the assets listed on the asset register it was determined that the condition of certain assets have deteriorated rather rapidly. Some assets were also found to be in a state of irreparable and thus were impaired.

Value of use was determined using the condition and remaining useful life. The condition was adjusted.

Cumulative impairment charges included in major balances

Infrastructure	408,513	-
Other	224,998	-
	633,511	-

Effect of changes in accounting estimates

No change in accounting estimate is expected.

12 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale at beginning of year - at book value	1,000,000	1,000,000
	1,000,000	1,000,000
Non-current assets sold/written off during the year	(1,000,000)	-
Non-current assets held for sale at end of year - at book value	-	1,000,000

The Municipality has sold Erf 440. The property has been sold to Cosmic Gold. However, the property has still to be transferred.



13 INVESTMENT PROPERTY

Investment property as at 30 June	1,188,145	1,188,145
Net Carrying amount at 1 July	1,188,145	1,382,389
Cost	1,188,145	1,708,206
Accumulated Depreciation	-	(325,817)
Depreciation for the year	-	(74,203)
Correction of error - Note 31.11		(120,041)
Net Carrying amount at 30 June	1,188,145	1,188,145
Cost	1,188,145	1,188,145
Accumulated Depreciation	-	-
The fair value of Investment Properties is estimated at:	1,188,145	1,188,145

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 50

Since the previous reporting date the following Investment Property was measured in accordance with GRAP 16 and restated retrospectively:

Cost	1,188,145	1,188,145
Accumulated Depreciation		-
Total not previously recognised now restated retrospectively		(0)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Revenue derived from the rental of investment property.	120,994	126,615
Operating expenditure incurred on properties generating revenue	-	-
Operating expenditure incurred on properties not generating revenue	-	-



14 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July

Cost

Accumulated Amortisation

Acquisitions

Amortisation

Disposals

Correction of error - note 31.10

Net Carrying amount at 30 June

Cost

Accumulated amortisation

2011
R

2010
R

20,313

-

22,331

-

(2,018)

6,397

13,565

(5,468)

(1,732)

-

-

8,480

21,242

20,313

28,728

22,331

(7,490)

(2,018)

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 50
Since the previous reporting date the following intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

Computer software;

Accumulated amortisation

Total not previously recognised now restated retrospectively

-

8,480

Carrying Value

Description

Remaining Amortisation Period

R

R

Microsoft Office and Windows software

5

21,242

20,313

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.



15 INVENTORY

Consumable stores, raw materials, work in progress and finished goods	1,567,343	853,520
Water – at cost	6,903	-

Total Inventory	1,574,246	853,520
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Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 50

Consumable stores materials written down due to losses as identified during the annual stores counts.

-	-
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Consumable stores materials surplusses identified during the annual stores counts.

38,447	-
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Inventory recognised as an expense during the year	2,572,483	2,193,613
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Since the previous reporting date the following inventories were measured in accordance with GRAP 12 and restated retrospectively:

Water

Land held for sale

Other (list).

16 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

Service Receivables

Electricity	5,750,215	5,052,814
Water	23,580,071	22,523,326
Housing Rentals	-	37,030
Refuse	14,020,260	14,222,831
Sewerage	21,843,245	22,835,573
Other Consumer Arrears	30,953,573	65,769,823
Other Recoverable Arrears	(2,846,476)	2,562,613
Correction of error - note 31.08	-	(57,623,716)

Total Service Receivables	93,300,888	75,380,294
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Provision for Impairments	(81,406,411)	(63,612,130)
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Net Service Receivables	11,894,477	11,768,164
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The fair value of receivables approximate their carrying value.



Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary

Ageing of Receivables from Exchange Transactions

(Electricity): Ageing

	2011 R	2010 R
Current (0 - 30 days)	2,266,327	2,164,662
31 - 60 Days	493,082	619,208
61 - 90 Days	244,265	199,024
+ 90 Days	2,746,542	2,069,920
Total	5,750,216	5,052,814

(Water): Ageing

Current (0 - 30 days)	1,565,355	2,653,116
31 - 60 Days	1,136,132	1,241,737
61 - 90 Days	1,837,293	640,977
+ 90 Days	19,041,292	17,987,496
Total	23,580,072	22,523,326

(Housing): Ageing

Current (0 - 30 days)	-	37,030
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
Total	-	37,030

(Refuse): Ageing

Current (0 - 30 days)	407,016	2,391,703
31 - 60 Days	353,253	361,466
61 - 90 Days	340,452	340,854
+ 90 Days	12,919,539	11,128,808
Total	14,020,260	14,222,831



(Sewerage): Ageing

Current (0 - 30 days)	673,052	4,183,471
31 - 60 Days	565,510	567,797
61 - 90 Days	548,403	538,144
+ 90 Days	20,056,280	17,546,161
Total	21,843,245	22,835,573

(Other Consumer): Ageing

Current (0 - 30 days)	1,036,942	41,237,717
31 - 60 Days	690,431	633,694
61 - 90 Days	699,012	37,403
+ 90 Days	26,642,758	5,451,814
Total	29,069,143	47,360,628

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

17 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Receivables

Rates	12,241,001	10,147,023
Total Receivables	12,241,001	10,147,023
Provision for Impairments	(11,269,307)	-
Net Receivables	971,695	10,147,023
Total Net Receivables from Non-Exchange Transactions	971,695	10,147,023

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

Current (0 - 30 days)	506,805	390,885
31 - 60 Days	250,749	185,651
61 - 90 Days	214,141	142,555
+ 90 Days	11,269,307	9,427,932
Total	12,241,001	10,147,023



Reconciliation of Provision for Bad Debts for Exchange and Non-exchange transactions

Balance at beginning of year	63,612,130	59,938,025
Contribution to provision/(Reversal of provision)	29,063,588	3,674,105
Bad Debts Written Off	-	-
Balance at end of year	92,675,718	63,612,130

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

18 CURRENT INVESTMENTS

Fixed Deposits	8,759,612	-
Total Current Investments	8,759,612	-

Fixed Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5.85% % to 6.35 % per annum.

Fixed deposits consist out of the following accounts

Leave Investment - Standard Bank - 048559032-001	1,707,487	-
Fixed Deposit - Standard Bank - 048559032-002	7,052,125	-
	8,759,612	-

19 CASH AND CASH EQUIVALENTS

Assets

Call and short-term Investments Deposits	8,013,504	16,898,018
Primary Bank Account	1,140,765	-
CRR - Bank account	943,771	943,771
Balance as previously reported	-	493,771
Correction of error - note 31.04	-	450,000
Cash Floats	1,955	1,955
Total Cash and Cash Equivalents - Assets	10,099,995	17,843,743



Liabilities

Primary Bank Account

Balance as previously reported
Correction of error - note 31.04

-	7,950,249
-	41,884,868
-	(33,934,620)

Total Cash and Cash Equivalents - Liabilities

-	7,950,249
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Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R16 773 117 are held to fund the Unspent Conditional Grants (2010: R16 898 018).

The municipality has a guarantee of R95 000 relating to Eskom, contract number 31170209875 with no expiry date.

The municipality has the following bank accounts:

Current Accounts

ABSA Bank - Hartswater Branch - Account Number 1930000309

- (7,950,249)

ABSA Bank - Hartswater Branch - Account Number 1930000317

943,771 943,771

943,771 (7,006,478)

ABSA Bank - Hartswater Branch - Account Number 1930000309

Cash book balance at beginning of year

(7,950,249) (6,812,206)

Cash book balance at end of year

- (7,950,249)

Bank statement balance at beginning of year

1,351,320 1,351,320

Bank statement balance at end of year

1,351,320 1,351,320

ABSA Bank - Hartswater Branch - Account Number 1930000317

Cash book balance at beginning of year

493,771 490,723

Cash book balance at end of year

943,771 493,771

Bank statement balance at beginning of year

943,770 940,723

Bank statement balance at end of year

943,770 943,770

Call Investment Deposits

Call investment deposits consist out of the following accounts:

General Call - Projects ABSA Bank - 911851699

3,704,307 11,264,304

Investment Projects - ABSA Bank - 2062421535

2,766,392 2,590,766

General Replacement Reserve - ABSA Bank - 2057015909

1,542,805 1,459,596

Leave Investment - ABSA Bank - 2051753321

- 1,583,352

8,013,504 16,898,018



20 PROPERTY RATES

Actual

	2011 R	2010 R
Rateable Land and Buildings	7,192,024	6,446,453
Residential Property	4,046,510	3,627,022
Commercial Property	1,879,891	1,685,010
Agricultural Purposes	871,638	781,278
State - National / Provincial Services	379,855	340,477
Transnet	14,130	12,665

Less: Rebates

- -

Total Assessment Rates

7,192,024 6,446,453

Valuations

Rateable Land and Buildings	1,463,764,709	2,315,274,148
Residential Property	381,541,389	384,796,589
Commercial Property	185,829,240	101,318,440
Industrial Property	47,995,102	50,245,102
Agricultural Purposes	709,405,500	1,666,462,183
State - National / Provincial Services	73,170,000	47,319,860
Municipal Property	64,663,678	63,972,174
Transnet	1,159,800	1,159,800

Total Assessment Rates

1,463,764,709 2,315,274,148

A General Valuation was performed during the prior year effective from 1 July 2009. No interim valuations were performed.

Assessment Rates are levied on the value of land and improvements.

A rate in the rand for Transnet of R0.0105, Commercial and Industrial of R0.0150, Residential Pensioners of R0.00375 and all other at R0.0090 was charged on the total valuation.

A Rebate was granted on the value of residential properties - R15 000.

Rates of Indigent Household are subsidised on a value of the first R15 000.

Rates are levied monthly and payable by the 15th of the following month. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.



Rebates on Income - Basic Rate:

Residential	0.90c/R
Residential Pensioners	0.38c/R
Commercial & Industrial	1.5c/R
Agricultural	0.90c/R
State - National / Provincial Services	0.90c/R
Transnet	1.05c/R

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

21 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants

Equitable Share - Refer to Note 21.1

50,646,403 40,700,841

50,646,403 40,700,841

Conditional Grants

47,753,780 33,056,026

DWAF Grant

872,000 2,367,000

Other Grants

46,881,780 30,689,026

Total Government Grants and Subsidies

98,400,183 73,756,867

Government Grants and Subsidies - Capital

-

Government Grants and Subsidies - Operating

98,400,183 73,756,867

98,400,183 73,756,867

The municipality does not expect any significant changes to the level of grants. No grants had been withheld.

See Appendix F for more details in terms of Section 123 of the MFMA.

21.1 Equitable share

Opening balance

- -

Grants received

50,646,403 40,700,841

Conditions met - Operating

(50,646,403) (40,700,841)

Conditions met - Capital

- -

Conditions still to be met

- -

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.



21.2 Health Subsidy

Opening balance	-	-
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	-	-

Health subsidies was used fund primary health care services in the municipal area.

21.3 Local Government Financial Management Grant (FMG)

Opening balance	49,691	(153,294)
Grants received	1,250,000	750,000
Conditions met - Operating	(1,259,499)	(419,623)
Conditions met - Capital	-	(127,391)
Conditions still to be met	40,192	49,691

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

21.4 Municipal Systems Improvement Grant

Opening balance	419,535	131,729
Grants received	750,000	850,000
Conditions met - Operating	(825,231)	(386,103)
Conditions met - Capital	-	(176,091)
Conditions still to be met	344,304	419,535

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

21.5 Municipal Infrastructure Grant (MIG)

Opening balance	(4,449,570)	(2,025,207)
Grants received	14,072,000	18,805,000
Conditions met - Operating	-	-
Conditions met - Capital	(13,750,639)	(20,250,821)
Correction of error - note 31.09	-	(978,542)
Grant expenditure to be recovered	(4,128,210)	(4,449,570)

The grant was used to upgrade infrastructure in previously disadvantaged areas.

**21.6 Housing Grants**

Opening balance	2,834,186	59,300
Grants received	26,301,351	
Conditions met - Operating	-	-
Conditions met - Capital	(28,074,810)	-
Correction of error - note 31.09	-	2,774,886
Grant expenditure to be recovered	1,060,726	2,834,186

Housing grants was utilised for the development of erven and the erection of top structures.

21.7 Integrated National Electrification Grant

Opening balance	(910,860)	(329,798)
Grants received	163,000	2,442,600
Conditions met - Operating	-	-
Conditions met - Capital	(296,400)	(3,023,662)
Conditions still to be met	(1,044,260)	(910,860)

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

21.8 Other Grants

Opening balance	1,589,530	5,784,264
Grants received	1,163,000	4,477,601
Conditions met - Operating	(1,163,000)	(4,106,572)
Conditions met - Capital	(2,384,199)	(4,565,762)
Correction of error - note 31.09	-	1,372,524
Conditions still to be met	(794,669)	1,589,530

Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)

21.9 Total Grants

Opening balance	905,036	3,466,993
Grants received	94,345,754	68,026,042
Conditions met - Operating	(53,894,133)	(45,613,139)
Conditions met - Capital	(44,506,049)	(28,143,728)
Correction of error - note 31.09	-	3,168,868
Conditions still to be met/(Grant expenditure to be recovered)	(3,149,393)	905,036



Disclosed as follows:

Unspent Conditional Government Grants and Receipts	4,740,074	4,484,938
Unpaid Conditional Government Grants and Receipts	(7,889,466)	(6,748,770)
Correction of error - note 31.11	-	3,168,868
	(3,149,392)	905,036

22 SERVICE CHARGES

Electricity	38,569,240	34,792,751
Service Charges	38,821,150	34,909,556
Less: Rebates	(251,910)	(116,805)
Water	13,756,497	12,178,764
Service Charges	13,963,682	12,232,021
Less: Rebates	(207,185)	(53,257)
Refuse Removal	(10,176,503)	4,338,055
Service Charges	(9,909,488)	4,418,797
Less: Rebates	(267,015)	(80,743)
Sewerage and Sanitation Charges	5,399,996	6,204,346
Service Charges	7,883,954	7,174,529
Less: Rebates	(2,483,958)	(970,184)
Total Service Charges	47,549,229	57,513,915

23 OTHER INCOME

Building Plan Fees	22,673	13,936
Consumer Connections	72,931	64,220
Other	653,341	2,391,817
Plant Hire	-	4,377
Raw Water	2,736	3,515
Sale of Erven	2,850	-
Sundries	409,900	416,434
Total Other Income	1,164,431	2,894,299

**24 EMPLOYEE RELATED COSTS**

Employee Related Costs - Salaries and Wages	22,693,337	19,823,337
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5,246,151	4,663,116
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1,160,201	1,081,232
Housing Benefits and Allowances	206,345	115,974
Overtime Payments	947,553	698,811
Bonuses	1,846,382	1,350,314
Other Payments	319,894	98,816
Provision for leave	679,445	1,601,369
Contribution to provision - Long Service Awards - Note 4 and 7	32,829	(41,701)
Contribution to provision - Post Retirement Medical - Note 4 and 7	(36,840)	(37,447)
Total Employee Related Costs	33,095,297	29,353,821

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

REMUNERATION OF KEY MANAGEMENT PERSONNEL***Remuneration of the Municipal Manager***

Annual Remuneration	495,586	368,737
Motor vehicle Allowance	141,686	144,081
Cell phone Allowance	7,200	8,103
Housing Subsidy	-	15,576
Annual Bonus	-	30,728
Contributions - UIF, Medical, Pension, Bargaining Council Levy	105,528	79,489
Total	750,000	646,713

Remuneration of the Chief Finance Officer

Annual Remuneration	392,708	30,570
Motor vehicle Allowance	75,000	6,810
Housing Allowance	56,289	-
Annual Bonus	29,792	-
Contributions to UIF, Medical and Pension Funds	96,211	7,687
Total	650,000	45,067



Remuneration of Director : Technical Services

Annual Remuneration	300,625	292,361
Motor vehicle Allowance	103,781	143,755
Cell phone Allowance	5,000	4,861
Annual Bonus	32,500	24,363
Contributions - UIF, Medical, Pension, Bargaining Council Levy	80,811	75,295
Leave paid	54,600	-
Total	577,317	540,635

Remuneration of Director : Community Services

Annual Remuneration	-	146,180
Motor vehicle Allowance	-	71,877
Cell phone Allowance	-	1,980
Group Scheme Insurance	-	3,248
Annual Bonus	-	12,366
Leave pay	-	31,575
Contributions - UIF, Medical, Pension, Bargaining Council Levy	-	39,024
Total	-	306,250

Remuneration of Director : Corporate Services

Annual Remuneration	376,572	292,361
Motor vehicle Allowance	75,000	143,755
Cell phone Allowance	6,000	4,861
Annual Bonus	31,273	24,363
Contributions - UIF, Medical, Pension, Bargaining Council Levy	90,023	72,345
Total	578,868	537,684

25 REMUNERATION OF COUNCILLORS

Mayor	660,908	594,299
Speaker	208,916	460,975
Executive Committee Members	506,036	743,439
Councillors	3,077,991	1,398,117
Other Councillors' contributions and allowances	-	922,375
Total Councillors' Remuneration	4,453,852	4,119,204

**In-kind Benefits**

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

.....
Signed: Municipal Manager

	2011 R	2010 R
26 DEBT IMPAIRMENT		
Receivables - Note 16	29,063,588	3,674,105
Total Contribution to Bad Debts Provision	29,063,588	3,674,105
27 FINANCE CHARGES		
External Interest	923,890	987,682
Total finance charges	923,890	987,682
28 BULK PURCHASES		
Electricity	26,491,565	19,490,927
Water	14,885,778	11,863,525
Total Bulk Purchases	41,377,343	31,354,452
29 GRANTS AND SUBSIDIES		
Sedibeng indigent support paid to external service provider	1,210,850	1,639,263
Total Grants and Susidies	1,210,850	1,639,263



30 GENERAL EXPENSES

Sedibeng O&M contribution	4,977,983	3,806,514
Fuel	1,122,933	874,148
Telephone	560,530	633,571
Legal Cost	413,300	570,566
Audit Fees	2,360,907	425,148
Lease	257,108	428,330
Subsistence and Travelling	623,853	621,555
Bank Charges	472,294	414,434
Waterpurification	833,053	773,309
Land Survey Cost	433,635	7,290
Advertising, Printing and Stationary	843,188	550,997
Security	646,592	648,065
Membership Fees	232,542	187,300
Valuation Cost	1,198,399	72,437
Fines	120,000	-
Insurance General	5,520	314,051
Other	6,839,491	5,837,608
	21,941,328	16,165,323

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This includes items such as telecommunications and consulting fees.

31 CORRECTION OF ERROR IN TERMS OF GRAP 3

31.01 Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities"

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories

GRAP 16 – Investment Property

GRAP 17 – Property, Plant and Equipment

GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets

GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations

GRAP 102 – Intangible Assets

These provisions were not adopted in the prior year and are now adopted for periods ending on and after 30 June 2009.



31.02 NON-CURRENT PROVISION

Balance previously reported	-	-
First time recognition of Landfill Site Provision - Recognised Assets - Note 5	-	(590,266)
Recognition of Interest Cost on Non-current Provisions for 2009/2010 - Note 5	-	(30,079)
	-	(620,345)

31.03 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment recorded as required by GRAP 17.

Balance previously reported - Property, plant and equipment	-	132,846,853
Opening balance GRAP movements 2009	-	-
Implementation of GRAP		
Property, Plant and Equipment previously not recognised transfer from Accumulated Surplus - note 11	(864,961)	4,772,804
Property, Plant and Equipment incorrectly transferred to Statement on Financial Performance - note 11	-	5,049,919
	(864,961)	142,669,576

31.04 CONSUMER DEPOSITS

Balance previously reported - Consumer Deposits - note 6	-	(1,626,234)
Correction done on the consumer deposits - note 31.08	-	(136,211)
The error was due to the take on balances from the Sebata system not being recorded correctly.	-	-
	-	(1,762,444)

31.05 CASH AND CASH EQUIVALENTS

Balance previously reported - Cash and cash equivalents - note 19	-	(24,491,125)
Correction done on the consumer deposits	-	118,670
Correction done on the other deposits	-	(24,087)
Correction done on other creditors	-	17,451,183
Correction done on taxes - note 10	-	(11,150)
Correction done on cash and cash equivalents - note 19	-	16,850,004
The error was due to the take on balances from the Sebata system not being recorded correctly and the bank reconciliation was not performed as at year end for the 2009/2010 financial year.	-	9,893,495



31.06 TRADE AND OTHER PAYABLES

Balance previously reported - Trade and Other Payables - note 9	-	(30,850,723)
Correction done on the consumer deposits	-	17,541
Correction done on the trade creditors opening balance - note 32	-	3,349,617
Correction done on the other deposits	-	24,355
Correction done on the other creditors	-	11,301,216

The error was due to the bank reconciliation which was not reconciled and thus corrected and trade debtors which was not reconciled and then reconciled. Further more RD cheques were not posted on the system, as the bank reconciliation was not completed. Furthermore is was also due to the reconciliation of the salary control account. Also the take on balances and seбата processing period was not recorded correctly. Certain other creditors were incorrectly disclosed as Trade and other creditors but should however be disclosed as Trade and other Receivables due to the fact that they form part of the trade receivables

- **(16,157,994)**

31.07 CURRENT EMPLOYEE BENEFITS

Balance previously reported - Staff leave - note 7	-	(2,848,536)
Correction done on the staff leave - note 32	-	-

The error was due to the Staff leave provision not being capped to 48 days.

- **(2,848,536)**

31.08 TAXES

Balance previously reported - Taxes - note 10	-	5,629,838
Correction done on Trade creditors	-	(868,742)
Correction done on Trade creditors	-	2,308,188
Correction done on Unpsent and Unpaid grants	-	(43,679)
Correction done on Cash and Cash equivalents	-	2,440,830
Correction done on Property plant and equipment - note 11	-	(62,983)

The error was due to the Sebata take on and creditors not being reconciled as at 30 June 2010. A balance included in taxes was incorrectly disclosed as should be disclosed as Trade receivables.

- **9,403,452**



31.09 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS AND NON-EXCHANGE

Balance previously reported - Trade receivables - note 16	11,768,164
Correction done on Trade creditors	- (69,600)
Correction done on the other deposits	25,922
Correction done on the other creditors	(3,770,805)
Correction done on the other consumer arrears	(23,103,440)
Correction done on the other recoverable arrears	- (30,705,792)

The error was due to the Sebata take on and creditors not being reconciled as at 30 June 2010 and the reconciliation of the trade debtors as well as the reconciliation of the bank account as at 30 June 2010.

- **(45,855,552)**

31.10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Balance previously reported - Unspent and unpaid conditional grants - note 9	905,036
Correction done on unspent and unpaid grants - note 9	- (3,168,868)

The error was due to the DWAF grant not being reconciled during the previous financial years and Unspent and unpaid grants which were recognised as from the previous financial year.

- **(2,263,832)**

31.11 INTANGIBLE ASSETS

Balance previously reported - Intangible assets - note 14	11,833
Correction done on Intangible assets as per asset register - note 14	- 8,765
Correction done on Intangible assets as per asset register - note 14	(286)

The error was due to the fact that the asset register was completed as at 30 June 2011 and all prior year's are to be restated.

- **20,313**

31.12 INVESTMENT PROPERTY

Balance previously reported - Investment property - note 13	1,308,186
Correction done on Investment property - Note 13	- (520,061)
Correction done on accumulated depreciation	400,020

The error was due to the fact that the asset register was completed as at 30 June 2011 and all prior year's are to be restated.

- **1,188,145**


32 RECONCILIATION OF NETT SURPLUS FOR THE YEAR

Balance previously reported	-	(45,186,771)
Correction done on the prior year errors	-	2,264,131
	-	(42,922,639)

33 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS

Surplus for the year	20,876,099	42,922,639
Adjustments for:		
Depreciation	6,159,390	6,954,695
Gain/Loss on disposal of property, plant and equipment	(279,116)	-
Impairments	640,867	-
Contribution from/to provisions - Non-Current	1,246,457	1,147,035
Contribution from/to provisions - Non-Current - Expenditure incurred	(463,532)	(500,266)
Contribution from/to provisions - Non-Current - Actuarial losses	3,482,490	-
Contribution from/to provisions - Non-Current - Actuarial gains	-	-
Contribution to provisions – current	2,525,827	1,601,369
Contribution to provisions – current - Expenditure incurred	(1,135,261)	(51,142)
Contribution to provisions – Bad debt	29,063,588	3,674,105
Investment income	(9,082,686)	(6,424,838)
Interest paid	923,890	1,017,761
Operating Surplus before changes in working capital	63,431,914	42,646,492
Changes in working capital	(15,910,155)	(14,210,145)
Increase/(Decrease) in Trade and Other Payables	178,855	2,022,222
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(2,768,021)	1,440,424
(Increase)/Decrease in Taxes	6,292,268	(2,916,622)
(Increase)/Decrease in Inventory	(720,726)	44,581
(Increase)/Decrease in Trade Receivables from exchange transactions and non-exchange	(17,606,124)	(10,798,369)
Increase in Unpaid Conditional Government Grants and Receipts	(1,286,407)	(4,002,381)
Cash generated by operations	47,521,759	28,436,347



34 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 19	8,013,504	16,898,018
Cash Floats - Note 19	1,955	1,955
Bank - Note 19	943,771	943,771
Bank overdraft - Note 19	-	(7,950,249)
Current Investments - Note 18	8,759,612	
Total cash and cash equivalents	17,718,842	9,893,495

35 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 34	17,718,842	9,893,495
	17,718,842	9,893,495
Less:	(3,149,392)	905,036
Unspent Committed Conditional Grants - Note 9	(3,149,392)	905,036
Unspent Public Contribution - Note	-	-
Unspent Borrowings - Note	-	-
VAT - Note	-	-
Secured Investments	-	-
Net cash resources available for internal distribution	20,868,234	8,988,459
Allocated to:		
Capital Replacement Reserve	-	-
Employee Benefits Reserve	-	-
Social Contribution Reserve	-	-
Non-Current Provisions Reserve	-	-
Valuation Roll Reserve	-	-
Resources available for working capital requirements	20,868,234	8,988,459

36 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 3

Used to finance property, plant and equipment - at cost

1,502,283	2,835,815
-	-
1,502,283	2,835,815
(1,502,283)	(2,835,815)
-	-

Cash set aside for the repayment of long-term liabilities

Cash invested for repayment of long-term liabilities

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 9.21 % and 17.82 % and will be repaid by 2028

37 BUDGET COMPARISONS

37.1 Operational

Revenue by source

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
Property Rates	7,192,024	9,556,899	(2,364,875)	-25%
Government Grants and Subsidies - Capital	98,400,183	53,566,000	44,834,183	84%
Actuarial Gains	-	-	-	0%
Fines	127,741	133,197	(5,456)	-4%
Property Rates - penalties imposed and collection charges	-	-	-	0%
Service Charges	47,549,229	70,411,115	(22,861,886)	-32%
Rental of Facilities and Equipment	139,403	69,871	69,532	100%
Interest Earned - external investments	846,086	331,924	514,162	155%
Interest Earned - outstanding debtors	8,236,601	7,206,773	1,029,828	14%
Licences and Permits	1,296,718	1,953,761	(657,043)	-34%
Agency Services	989,625	1,647,161	(657,536)	-40%
Other Revenue	1,164,431	5,157,547	(3,993,116)	-77%
	165,942,039	150,034,248	15,907,791	11%





Expenditure by nature				
Employee Related Costs	(33,095,297)	(28,496,271)	(4,599,026)	16%
Remuneration of Councillors	(4,453,852)	(3,837,320)	(616,532)	16%
Depreciation and Amortisation	(6,800,257)	(6,184,688)	(615,569)	10%
Impairments	(29,063,588)	(12,172,742)	(16,890,846)	139%
Repairs and Maintenance	(2,582,447)	(3,417,824)	835,377	-24%
Actuarial losses	(3,482,490)	-	(3,482,490)	100%
Finance Charges	(923,890)	(178,288)	(745,602)	418%
Bulk Purchases	(41,377,343)	(37,082,056)	(4,295,287)	12%
Contracted services	(413,715)	(933,000)	519,285	-56%
Grants and Subsidies	(1,210,850)	(1,163,000)	(47,850)	4%
General Expenses	(21,941,328)	(31,842,150)	9,900,822	-31%
Internal charges	-	2,310,699	(2,310,699)	-100%
	(145,345,056)	(122,996,640)	(22,348,416)	18%
Other Gains/Losses				
Gains on Disposal of PPE	279,116	100,000	179,116	179%
	279,116	100,000	179,116	179%
Net Surplus for the year	20,876,099	27,137,608	(6,261,509)	-23%

Details of material variances

Provide details for material variances



37.2 Expenditure by Vote

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
Council and Executive Administration	(8,002,262)	(11,481,425)	3,479,163	-30%
Office of the Municipal Manager	(5,033,950)	(4,205,834)	(828,116)	20%
Internal Audit	-	-	-	0%
Finance Admin	(45,826,404)	(13,793,734)	(32,032,670)	232%
Corporate Services and Development Admin	(4,218,497)	(4,586,761)	368,264	-8%
LED	(65,816)	(276,980)	211,164	-76%
Municipal Buildings	(1,463,252)	(1,684,293)	221,041	-13%
Estates	(494,586)	(703,687)	209,101	-30%
Ganspan Waterbird Sanctuary	-	(36,760)	36,760	-100%
Semi-Detached Houses	-	(49,687)	49,687	-100%
Staff Housing	(1,235)	(69,155)	67,920	-98%
Council Motor Vehicle	(1,491)	(204,416)	202,925	-99%
Community Services Admin	(3,096,800)	(2,647,301)	(449,499)	17%
Cemetery	(231,524)	(344,189)	112,665	-33%
Traffic	(2,581,162)	(2,753,189)	172,027	-6%
Parks and Recreation	(1,464,538)	(1,332,010)	(132,528)	10%
Clinic	(6,905)	-	(6,905)	100%
Caravan Park	(13,954)	(31,249)	17,295	-55%
Sports Grounds	(213,641)	(246,363)	32,722	-13%
Fire Fighting and Disaster Management	(27,480)	(124,574)	97,094	-78%
Motor Vehicle Registration	(1,106,336)	(1,119,498)	13,162	-1%
Library	(1,433,018)	(1,464,993)	31,975	-2%
Vehicle Test Station	(249,755)	(912,415)	662,660	-73%
Water	(32,881,261)	(35,322,588)	2,441,327	-7%
Electricity (Street Lighting)	(31,317,748)	(34,578,882)	3,261,134	-9%
Public Works	(5,316,240)	(5,337,805)	21,565	0%
Mechanical Workshop	(241,187)	(505,239)	264,052	-52%
Refuse	(1,598,396)	(3,309,376)	1,710,980	-52%
Less Internal Charges	3,239,348	4,125,763	(886,415)	-21%
	(143,648,090)	(122,996,640)	(20,651,450)	17%



Details of material variances

Provide details for material variances

37.3 Capital expenditure by vote

Council and Executive Administration	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 - (%)
Office of the Municipal Manager	-	-	-	0%
Internal Audit	-	-	-	0%
Finance Admin	2,645,127	-	2,645,127	100%
Stores	-	-	-	0%
IT	-	-	-	0%
Rates and Taxes	-	-	-	0%
Corporate Services and Development Admin	-	60,000	(60,000)	-100%
LED	-	-	-	0%
Municipal Buildings	-	-	-	0%
Estates	-	-	-	0%
Ganspan Waterbird Sanctuary	-	-	-	0%
Semi-Detached Houses	-	-	-	0%
Staff Housing	-	-	-	0%
Council Motor Vehicle	-	-	-	0%
Community Services Admin	663,690	-	663,690	100%
Cemetery	-	-	-	0%
Traffic	-	245,000	(245,000)	-100%
Parks and Recreation	-	-	-	0%
Clinic	-	-	-	0%
Caravan Park	-	-	-	0%
Sports Grounds	-	-	-	0%
Fire Fighting & Disaster Management	-	-	-	0%
Motor Vehicle Registration	-	-	-	0%
Library	-	410,400	(410,400)	-100%
Vehicle Test Station	-	-	-	0%



Water	29,332,607	14,600,000	14,732,607	101%
Water Consumer Connections	-	5,000,000	(5,000,000)	-100%
Waste Water	(3,382,682)	7,800,000	(11,182,682)	-143%
Electricity	-	163,000	(163,000)	-100%
Electricity Consumer Connections	-	-	-	0%
Public Works	440,000	6,672,000	(6,232,000)	-93%
Mechanical Workshop	-	-	-	0%
Refuse	5,315,256	-	5,315,256	100%
	35,013,998	34,950,400	63,598	0%

Details of material variances

Provide details for material variances



38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

38.01 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	35,340,141	-
Unauthorised capital expenditure current year	18,318,424	16,866,049
Unauthorised operating expenditure current year	(34,336,134)	18,474,092
Unauthorised expenditure awaiting authorisation	19,322,431	35,340,141

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budget on votes	None

38.02 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	98,676	-
Fruitless and wasteful expenditure current year	-	98,676
Fruitless and wasteful expenditure awaiting condonement	98,676	98,676

38.03 Irregular expenditure

None to Management's knowledge

38.04 Material Losses

None to Management's knowledge

39 CORRECTION OF CLASSIFICATION IN TERMS OF GRAP 1

Rates previously disclosed in a combined note for trade and other receivables from exchange transactions and non-exchange transactions has as from 2010 been disclosed in a separate note for trade and other receivables from non-exchange transactions.

This change has been made in order to split the exchange and non-exchange transactions.



40 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

40.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Opening balance	-	-
Council subscriptions	-	-
Amount paid - current year	-	-
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

40.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	-	-
Council subscriptions	2,360,907	425,148
Amount paid - current year	(2,360,907)	(425,148)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

40.3 VAT - [MFMA 125 (1)(b)]

Opening balance	-	-
Amounts received - current year	-	-
Amounts claimed - current year (payable)	-	-
Amount paid - current year	-	-
Amount paid - previous year	-	-
Closing balance Cr/(Dt)	-	-
Vat in suspense due to cash basis of accounting	-	-

40.4 PAYE , SDL and UIF - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year payroll deductions	4,006,802	-
Amount paid - current year	(4,006,802)	-
Balance unpaid (included in creditors)	-	-



Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year payroll deductions and Council Contributions	8,786,868	-
Amount paid - current year	(8,786,868)	-
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-

40.5 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

The following councillors had arrear accounts for more than 90 days as at 30 JUNE 2011:

	Outstanding more than 90 days
Nokomo S	79,251.89
Lewis S	197.90
Mokoena AS	14,981.09
Mojapele MK	5,801.81
Meza D	3,067.34
Riet I	5,885.55
Modiagotla HM	29,796.17
Moremongwe O	1,643.69
Mashori M	8,316.55
Moeketsi DM	8,525.70
Khen V	5,918.36
	<u>163,386.05</u>

40.6 Quotations awarded - Section 45 - Supply Chain Management

Non-compliance with the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Corporate Services	-	-	-	-
Development Services	-	-	-	-
Financial Services	-	-	-	-
Technical Services	-	-	-	-
Electrical Services	-	-	-	-
	-	-	-	-



40.7 Non-compliance with Chapter 14 of the Municipal Finance Management Act

No non-compliance to the Supply Chain Management Regulations were identified by Management

41 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Land & Buildings

Infrastructure

-	-
-	-
-	-

Total

-	-
---	---

This expenditure will be financed from:

External Loans

Government Grants

-	-
-	-

-	-
---	---

42 RETIREMENT BENEFIT INFORMATION

Council employees contribute to the Cape Joint Municipal Pension Fund, SALA and SAMWU National Provident Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuations was done on 30 June 2008.

43 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the Municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.



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The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact (sensitivity analysis) on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% (2008 - 2%) Increase in interest rates	(12,714)	(12,714)
1% (2008 - 0.5%) Decrease in interest rates	25,427	25,427

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables, long term receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Credit risk pertaining to trade and other debtors is considered to be high due the diversified nature of debtors and immaterial nature of individual balances.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be high due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 16 and 17 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. The following balances included in receivables were re-negotiated for the period under review.

2,475,726	2,510,971
-----------	-----------

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in notes 16 and 17 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.



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The provision for bad debts could be allocated between the different classes of debtors as follows:

	2011 %	2011 R	2010 %	2010 R
Electricity	2.96%	2,746,542	3.25%	2,069,920
Water	20.55%	19,041,292	28.28%	17,987,496
Housing Rentals	0.00%	-	0.00%	-
Refuse	13.94%	12,919,539	17.49%	11,128,808
Sewerage	21.64%	20,056,280	27.58%	17,546,161
Other Consumer Arrears	28.75%	26,642,758	8.57%	5,451,814
Rates	12.16%	11,269,307	14.82%	9,427,932
	100.00%	92,675,718	100.00%	63,612,130

The following balances were past due but not impaired:

Trade receivables	7,372,722	5,508,510
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The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

Financial assets exposed to credit risk at year end are as follows:

Long term receivables	-	-
Trade receivables	11,894,477	11,768,164
Other receivables from non-exchange transactions	971,695	10,147,023
Cash and Cash Equivalents	10,099,995	17,843,743
Unpaid conditional grants and subsidies	7,889,466	6,603,059
	30,855,633	46,361,989

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.



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The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The municipality did not default on any of their trade and other payables commitments during the period under review and no terms were re-negotiated.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year R	Between 1 and 5 years R	Between 5 and 10 years R	Over 10 Years R
2011				
Long Term liabilities	1,462,614	1,373,201	-	-
Consumer Deposits	1,936,417	-	-	-
Trade and Other Payables	16,336,849	-	-	-
Unspent conditional government grants and receipts	4,740,074	-	-	-
Bank Overdraft	-	-	-	-
	<u>24,475,954</u>	<u>1,373,201</u>	<u>-</u>	<u>-</u>
2010				
Long Term liabilities	1,257,586	2,835,037	-	-
Consumer Deposits	1,762,444	-	-	-
Trade and Other Payables	16,157,994	-	-	-
Unspent conditional government grants and receipts	7,508,095	-	-	-
Bank Overdraft	7,950,249	-	-	-
	<u>34,636,368</u>	<u>2,835,037</u>	<u>-</u>	<u>-</u>



44 FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Receivables			
Trade and other receivables	Loans and Receivables	12,866,172	21,915,187
Other Debtors			
Government Subsidies and Grants	Loans and Receivables	7,889,466	6,603,059
Current Portion of Long-term Receivables			
Car Loans	Loans and Receivables	-	-
Short-term Investment Deposits			
Call Deposits	Available for sale	8,013,504	16,898,018
Bank Balances and Cash			
Bank Balances	Available for sale	943,771	493,771
Cash Floats and Advances	Available for sale	1,955	1,955
		29,714,868	45,911,989

SUMMARY OF FINANCIAL ASSETS

Available for sale	8,959,230	17,393,743
Loans and Receivables	20,755,638	28,518,246
Total Financial Assets	29,714,868	45,911,989

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	At amortised cost	1,000,000	1,000,000
Government Loans : Other	At amortised cost	-	-
Capitalised Lease Liability	At amortised cost	123,649	373,201
Consumer deposits			
Electricity and Water	At amortised cost	1,936,417	1,762,444
Trade and other Payables			
Trade Creditors	At amortised cost	1,327,817	3,462,705
Other creditors	At amortised cost	15,009,031	27,388,018



Unspent Conditional Grants and Receipts

Other Spheres of Government	At amortised cost	4,740,074	7,508,095
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Cash and Cash Equivalents

Bank Overdraft	At amortised cost	-	7,950,249
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Current Portion of Long-term Liabilities

Annuity Loans	At amortised cost	-	-
Government Loans : Other	At amortised cost	107,493	1,207,271
Capitalised Lease Liability	At amortised cost	271,142	255,343

Total Financial Liabilities		24,515,624	50,907,326
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SUMMARY OF FINANCIAL LIABILITY

At amortised cost		24,515,624	50,907,326
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45 EVENTS AFTER THE REPORTING DATE

None

46 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

47 COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexure "D".



48 CONTINGENT LIABILITY

The municipality is currently engaged in litigation which could result in damages/costs being awarded against the Municipality if claimants are successful in their actions. The following are the estimates:

Ganspan Community Farmer (No claim)	
Phokwane LM vs Komanisi Developers (Civil)	2,945,000
Babereki Consulting Engineering (Civil claim, cost not yet determined)	19,287,583
Young Alum	1,905,000
C Pitso - Labour dispute	710,000
Morula Project vs Phokwane LM	393,553
LM Christoffel vs Johannes Jacobs Victor (Civil claim)	400,000
Charles Deetlefs, Loss claim for damages	7,410
	<hr/>
	25,648,546
	<hr/>

49 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

49.1 Related Party Transactions

The rates, service charges and other charges charged to related parties are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

	Rates - Levied 1 Jul 10 - 30 Jun 11	Service Charges - Lev- ied 1 Jul 10 - 30 Jun 11	Other - Levied 1 Jul 10 - 30 Jun 11	Outstanding Balances 30 June 2011
Year ended 30 JUNE 2011				
Councillors	15,708	55,932	2,586	65,219
Adams EL	-	2,490	30	1,153
Arends S	1,769	3,149	21	94
Gaebee RR	1,652	1,903	7	300
Gill MM	-	-	-	-
Khen V	-	-	-	-
Mashorie KD	-	1,898	513	7,249
Modiakgotla HM	321	2,650	598	28,576
Modimogale M	1,001	1,398	5	194
Moeketsi DM	428	1,398	510	7,223
Mooketsi S	1,215	18,432	239	8,210
Motshabe SM	-	-	-	-
Nel PJ	9,321	19,820	14	2,456



Paul SS	-	-	-	-
Pitso FO	-	1,398	371	4,960
Raadts SM	-	1,398	279	4,804

Municipal Manager and Section 57 Employees

	-	-	-	-
Dichaba MP	3,783	24,375	383	10,897
Sediti TP	-	-	-	-
Pitso TC	-	-	-	-
Motswana M	-	4,749	10	465

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.



49.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

49.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 24 to the Annual Financial Statements.

49.4 Other related party transactions

The following purchases were made during the year where Councillors or Sect 57 Managers have an interest:

Councillor/Sect 57 Manager

None

50 Process to comply fully with the implementation of General Recognised Accounting Practices (GRAP)

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2011..


PROPERTY, PLANT AND EQUIPMENT
30 JUNE 2011
Reconciliation of Carrying Value

	Cost			
	Opening Balance	Additions	Disposals	Closing Balance
	R	R	R	R
Land and Buildings	17,691,771	11,954,369	-	29,646,140
Land	4,790,731	-	-	4,790,731
Buildings	12,901,040	11,954,369	-	24,855,409
Infrastructure	158,168,597	32,368,870	-	190,537,467
Roads & Stormwater	37,306,935	5,312,624	-	42,619,559
Sewerage	52,013,842	-3,382,682	-	48,631,160
Electricity	24,695,469	440,000	-	25,135,469
Water	40,229,273	29,332,607	-	69,561,880
Taxi Ranks and Bus shelters	3,538,277	663,690	-	4,201,967
Public Parking	384,801	2,632	-	387,432
Community Assets	9,187,889	-	-	9,187,889
Recreation Grounds	973,151	-	-	973,151
Civil Buildings	6,779,590	-	-	6,779,590
Libraries	768,489	-	-	768,489
Pre-schools	662,664	-	-	662,664
Cemetaries	3,996	-	-	3,996
Heritage Assets	158,380	-	-	158,380
Historical Buildings	156,892	-	-	156,892
Painting & Art Galleries	1,489	-	-	1,489
Other Assets	14,105,559	2,645,127	-	16,750,686
Office Equipment	998,048	137,947	-	1,135,995
Furniture & Fittings	1,364,499	910,497	-	2,274,996
Communication Equipment	32,554	20,355	-	52,909
Other	3,459,398	654,328	-	4,113,726
Safety Equipment	24,800	163,852	-	188,652
Vehicles and Plant	6,862,933	397,314	-	7,260,247
Computer Equipment	935,537	360,834	-	1,296,371
Landfill Sites	427,789	-	-	427,789
Intangible assets	22,330	6,397	-	28,728
Intangible assets	22,330	6,397	-	28,728
	199,312,197	46,968,366	-	246,280,563



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30 JUNE 2010

Reconciliation of Carrying Value

	Opening Balance R	Cost Additions R	Disposals R	Closing Balance R
Land and Buildings	17,637,081	54,691	-	17,691,772
Land	4,790,731	-	-	4,790,731
Balance previously reported	-	-	-	-
Correction of error note - 31.02	4,790,731	-	-	4,790,731
Buildings	12,846,350	54,691	-	12,901,041
Balance previously reported	5,767,859	-	-	5,767,859
Correction of error note - 31.02	7,078,491	54,691	-	7,133,181
Infrastructure	132,825,923	25,342,674	-	158,168,597
Roads & Stormwater	29,738,388	7,568,547	-	37,306,935
Balance previously reported	29,738,388	7,568,547	-	37,306,935
Correction of error note - 31.02	-	-	-	-
Sewerage	42,105,646	9,908,196	-	52,013,842
Balance previously reported	42,105,646	9,908,196	-	52,013,842
Correction of error note - 31.02	-0	-	-	-0
Electricity	21,508,851	3,186,619	-	24,695,469
Balance previously reported	21,508,851	3,186,619	-	24,695,469
Correction of error note - 31.02	-	-	-	-
Water	35,549,960	4,679,313	-	40,229,273
Balance previously reported	35,549,960	4,679,313	-	40,229,273
Correction of error note - 31.02	0	-	-	0
Taxi Rank and Bus Shelters	3,538,277	-	-	3,538,277
Balance previously reported	-	-	-	-
Correction of error note - 31.02	3,538,277	-	-	3,538,277
Public Parking	384,801	-	-	384,801
Balance previously reported	-	-	-	-
Correction of error note - 31.02	384,801	-	-	384,801



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Community Assets

Recreation Grounds
Balance previously reported
Correction of error note - 31.02

Civil Buildings
Balance previously reported
Correction of error note - 31.02

Libraries
Balance previously reported
Correction of error note - 31.02

Parks and Gardens
Balance previously reported
Correction of error note - 31.02

Non Residential Structures
Balance previously reported
Correction of error note - 31.02

Pre-Schools
Balance previously reported
Correction of error note - 31.02

Cemetery
Balance previously reported
Correction of error note - 31.02

Housing Rental Stock

Sub-economical Housing
Balance previously reported
Correction of error note - 31.02

9,187,889	-	-	9,187,889
973,151	-	-	973,151
5,346,683	-	-	5,346,683
-4,373,531	-	-	-4,373,531
6,779,590	-	-	6,779,590
2,782,052	-	-	2,782,052
3,997,537	-	-	3,997,537
768,489	-	-	768,489
691,087	-	-	691,087
77,402	-	-	77,402
-	-	-	-
71,062	-	-	71,062
-71,062	-	-	-71,062
-	-	-	-
-	37,585	-	37,585
-	-37,585	-	-37,585
662,664	-	-	662,664
-	-	-	-
662,664	-	-	662,664
3,996	-	-	3,996
-	-	-	-
3,996	-	-	3,996
-	-	-	-
-	-	-	-
4,180,233	-	-	4,180,233
-4,180,233	-	-	-4,180,233



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Heritage Assets

Historical Buildings

Balance previously reported

Correction of error note - 31.02

Painting & Art Galleries

Balance previously reported

Correction of error note - 31.02

158,380 - - 158,380

156,892 - - 156,892

158,907 - - 158,907

-2,015 - - -2,015

1,489 - - 1,489

59,345 - - 59,345

-57,856 - - -57,856

Other Assets

Office Equipment

Balance previously reported

Correction of error note - 31.02

Furniture & Fittings

Balance previously reported

Correction of error note - 31.02

Communication Equipment

Balance previously reported

Correction of error note - 31.02

Other

Balance previously reported

Correction of error note - 31.02

Safety Equipment

Balance previously reported

Correction of error note - 31.02

Fire Equipment

Balance previously reported

Correction of error note - 31.02

Vehicles and Plant

Balance previously reported

Correction of error note - 31.02

12,907,221 1,198,337 - 14,105,559

907,547 90,502 - 998,048

1,592,805 107,607 - 1,700,412

-685,258 -17,105 - -702,364

1,232,624 131,875 - 1,364,499

629,391 131,875 - 761,266

603,234 - - 603,234

19,279 13,275 - 32,554

94,084 - - 94,084

-74,805 13,275 - -61,530

3,294,263 165,134 - 3,459,398

2,746,060 - - 2,746,060

548,203 165,134 - 713,338

- 24,800 - 24,800

1,951 - - 1,951

-1,951 24,800 - 22,849

- - - -

169,348 - - 169,348

-169,348 - - -169,348

6,445,135 417,798 - 6,862,933

7,527,886 417,798 - 7,945,684

-1,082,751 - - -1,082,751



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Computer Equipment
Balance previously reported
Correction of error note - 31.02

580,584	354,953	-	935,537
912,162	363,718	-	1,275,880
-331,578	-8,765	-	-340,343

Machinery and Equipment
Balance previously reported
Correction of error note - 31.02

-	-	-	-
-	203,209	-	203,209
-	-203,209	-	-203,209

Landfill Sites
Balance previously reported
Correction of error note - 31.01

427,789	-	-	427,789
-	-	-	-
427,789	-	-	427,789

Intangible assets

Intangible assets
Balance previously reported
Correction of error note - 31.10

-	22,330	-	22,330
-	22,330	-	22,330
-	13,565	-	13,565
-	8,765	-	8,765

172,716,495	26,595,702	-	199,312,197
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PROPERTY, PLANT AND EQUIPMENT

The leased property, plant and equipment is secured as set out in Note 3.

The Municipality identified other properties, plant and equipment, with opening balances and adjustments during the year.

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

The Municipality has identified and itemised all infrastructure and community assets and other property, plant and equipment and has recalculated accumulated depreciation. All prior year figures have been restated to reflect the calculation.

Work in progress is included in the specific Infrastructure line item. Work in progress amounts to R64 479 488 for the 2011/2010 and R22 672 836 for the 2009/2010 financial year.



**APPENDIX A
PHOKWANE MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

EXTERNAL LOANS	Original Loan Amount	Rate	Redeemable	Balance at 30 JUNE 2010	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2011
SKINKING FUND							
Sinking Fund loan from ABSA	1,000,000	12.40%		1,000,000	-	-	1 000 000
Total Annuity Loans	1,000,000			1,000,000	-	-	1,000,000
GOVERNMENT LOANS							
DBSA Loan	1,214,810	14.58%	30/06/2011	372,654	-	339,474	33 180
DBSA Loan	1,822,284	14.58%	30/06/2011	559,003	-	509,230	49 772
DBSA Loan	898,472	14.58%	30/06/2011	275,615	-	251,075	24 540
Total Government Loans	3,935,566			1,207,271	-	1,099,779	107,493
LEASE LIABILITY							
Lease Liability	1,285,662	Varied		628,544	-	233,753	394 791
Total Lease Liability	1,285,662			628,544	-	233,753	394,791
TOTAL EXTERNAL LOANS	6,221,228			2,835,815	-	1,333,532	1,502,283



**PHOKWANE MUNICIPALITY
APPENDIX B**

PHOKWANE MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost/Revaluation					
	Opening	Additions	Disposals/	Closing	Opening	
	Balance		Transfers	Balance	Balance	
Land and Buildings						
Land	4,790,731			4,790,731		
Buildings	12,901,040	11,954,369	-	24,855,409	3,873,082	
	17,691,771	11,954,369	-	29,646,140	3,873,082	
Infrastructure						
Main: Roads and Stormwater	37,306,935	5,312,624	-	42,619,559	5,002,111	
Sewage Mains & Purification	52,013,842	21,800,720	-	73,814,562	18,924,858	
Main: Electricity	24,695,469	440,000	-	25,135,469	8,634,745	
Main: Water and Purification	40,229,273	4,149,205	-	44,378,478	8,615,311	
Taxi Ranks & Bus shelters	3,538,277	663,690	-	4,201,967	927,511	
Public Parking	384,801	2,632	-	387,432	57,793	
	158,168,597	32,368,870	-	190,537,467	42,162,330	
Community Assets						
Recreation Grounds	973,151	-	-	973,151	265,560	
Civil Buildings	6,779,590	-	-	6,779,590	3,354,179	
Libraries	768,489	-	-	768,489	118,741	
Pre-schools	662,664			662,664	256,816	
Cemetery	3,996			3,996	491	
	9,187,889	-	-	9,187,889	3,995,787	
Heritage Assets						
Historical Buildings	156,892	-	-	156,892	-	
Painting & Art Galleries	1,489	-	-	1,489	509	
	158,380	-	-	158,380	509	
Total carried forward	185,206,638	44,323,239	-	229,529,877	50,031,707	



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APPENDIX B

PHOKWANE MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost					
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	
Total brought forward	185,206,638	44,323,239	-	229,529,877	50,031,707	
Other Assets						
Office Equipment	998,048	137,947	-	1,135,995	370,972	
Furniture & Fittings	1,364,499	910,497	-	2,274,996	367,195	
Communication Equipment	32,554	20,355	-	52,909	14,396	
Other	3,459,398	654,328	-	4,113,726	2,181,034	
Safety Equipment	24,800	163,852	-	188,652	2,179	
Vehicles & Plant	6,862,933	397,314	-	7,260,247	3,249,767	
Computer Equipment	935,537	360,834	-	1,296,371	253,842	
Landfill Sites	427,789	-	-	427,789	171,529	
Non-Capital						
	14,105,559	2,645,127	-	16,750,686	6,610,914	
Total Property, Plant and Equipment	199,312,197	46,968,366	-	246,280,563	56,642,621	
Intangible Assets						
Intangible Assets	22,330	6,397	-	28,728	2,022	
	22,330	6,397	-	28,728	2,022	
Investment Property						
Investment Property	1,188,145	-	-	1,188,145	-	
	1,188,145	-	-	1,188,145	-	
Total	200,522,673	46,974,763	-	247,497,436	56,644,643	



PHOKWANE Local Municipality Annual Report 2010/11





GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation					
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	
Budget & Treasury Office	13,662,377	2,645,127	207,703	16,099,801	6,440,310	
Community & Social Services	17,850,152	663,690	-	18,513,842	8,854,681	
Housing	9,210,220	11,954,368	-	21,164,588	-	
Waste Management	52,434,692	(3,382,682)	-	49,052,010	19,095,461	
Road Transport	41,230,013	5,315,256	-	46,545,269	5,002,111	
Water	40,229,273	29,332,607	-	69,561,880	8,615,311	
Electricity	24,695,469	440,000	-	25,135,469	8,634,745	
Total	199,312,197	46,968,366	207,703	246,072,859	56,642,621	



PHOKWANE Local Municipality Annual Report 2010/11





PHOKWANE Local Municipality Annual Report 2010/11

PHOKWANE MUNICIPALITY - APPENDIX D (1)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

MUNICIPAL VOTES CLASSIFICATION

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R	
28,550,294	(5,429,526)	23,120,768	Council and Executive Administration
5,506	(3,914,979)	(3,909,473)	Office of the Municipal Manager
-	-	-	Internal Audit
3,903,014	(9,270,869)	(5,367,855)	Finance Admin
-	(123,471)	(123,471)	Stores
-	(88,530)	(88,530)	IT
20,766,807	-	20,766,807	Rates and Taxes
1,450,648	(7,163,835)	(5,713,187)	Corporate Services and Development Admin
1,290	(47,157)	(45,867)	LED
173,250	(915,722)	(742,472)	Municipal Buildings
44,946	(1,348,482)	(1,303,536)	Estates
-	(1,289)	(1,289)	Ganspan Waterbird Sanctuary
1,003	(877)	126	Semi-Detached Houses
1,062	(3,122)	(2,060)	Staff Housing
-	(1,721,902)	(1,721,902)	Council Motor Vehicle
15,366	(2,293,676)	(2,278,310)	Community Services Admin
12,535	(272,256)	(259,721)	Cemetery
1,886,671	(2,657,952)	(771,281)	Traffic
-	(1,524,385)	(1,524,385)	Parks and Recreation
-	(129,125)	(129,125)	Clinic
280	(6,627)	(6,347)	Caravan Park
5,100	(468,214)	(463,114)	Sports Grounds
-	589,072	589,072	Fire Fighting & Disaster Management
313,486	(912,894)	(599,408)	Motor Vehicle Registration
437,152	(1,321,031)	(883,879)	Library
90,360	(72,957)	17,403	Vehicle Test Station
21,036,481	(19,741,405)	1,295,076	Water
9,031	(31,846)	(22,815)	Water Consumer Connections
18,294,472	(5,419,500)	12,874,971	Waste Water
37,562,781	(26,546,562)	11,016,219	Electricity
118,596	(56,790)	61,806	Electricity Consumer Connections
10,070,169	(7,166,859)	2,903,311	Public Works
-	(323,456)	(323,456)	Mechanical Workshop
4,959,930	(6,137,235)	(1,177,306)	Refuse
149,710,231	(104,523,460)	45,186,771	Sub Total
1,989,287	(1,989,287)	-	Less Inter-Departmental Charges
151,699,517	(106,512,747)	45,186,771	Total



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PHOKWANE MUNICIPALITY - APPENDIX D (2)
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
28,555,800	(11,154,937)	17,400,862	Executive and council	37,296,517	(14,259,922)	23,036,595
24,669,821	(9,394,339)	15,275,482	Budget and treasury office	8,764,528	(41,121,695)	(32,357,167)
1,668,844	(9,428,040)	(7,759,195)	Corporate Services	12,184,439	(5,935,045)	6,249,394
465,053	(3,886,963)	(3,421,910)	Community and social services	890,727	(4,761,341)	(3,870,613)
5,380	(2,000,514)	(1,995,134)	Sport and recreation	3,219	(1,678,810)	(1,675,591)
2,290,518	(3,054,731)	(764,213)	Public Safety	2,748,489	(3,960,241)	(1,211,752)
2,065	(3,999)	(1,934)	Housing	-	(1,235)	(1,235)
-	(129,125)	(129,125)	Health	-	(6,639)	(6,639)
1,290	(47,157)	(45,867)	Planning and development	(7,950)	(65,816)	(73,766)
10,070,169	(7,490,315)	2,579,854	Road transport	6,524,975	(5,427,780)	1,097,195
-	-	-	Environmental protection	-	-	-
37,681,377	(26,603,352)	11,078,025	Electricity	41,837,584	(31,317,748)	10,519,836
21,045,512	(19,773,251)	1,272,261	Water	41,235,262	(22,481,434)	18,753,828
18,294,472	(5,419,500)	12,874,971	Water waste management	17,889,309	(9,246,463)	8,642,846
4,959,930	(6,137,235)	(1,177,306)	Waste management	(6,628,435)	(1,598,396)	(8,226,831)
149,710,231	(104,523,460)	45,186,771	Sub Total	162,738,665	(141,862,566)	20,876,099
1,989,287	(1,989,287)	-	Less Inter-Departmental Charges	3,239,348	(1,542,382)	1,696,966
151,699,517	(106,512,747)	45,186,771	Total	165,978,013	(143,404,947)	22,573,065



**PHOKWANE MUNICIPALITY
APPENDIX E (1)
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011
MUNICIPAL VOTES CLASSIFICATION**

	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)
REVENUE				
Property Rates	7,192,024	9,556,899	(2,364,875)	-24.75%
Grants and Subsidies Received - Operating	98,400,183	53,566,000	44,834,183	83.70%
Public Contributions and Donations	-	-	-	0.00%
Fines	127,741	133,197	(5,456)	-4.10%
Third Party Payments	-	-	-	0.00%
Stock Adjustments	-	-	-	0.00%
Actuarial Gains	-	-	-	0.00%
Property Rates - Penalties & Collection Charges	-	-	-	0.00%
Service Charges	47,549,229	70,411,115	(22,861,886)	-32.47%
Water Services Authority Contribution	-	-	-	0.00%
Rental of Facilities and Equipment	139,403	69,871	69,532	99.51%
Interest Earned - Current Account	-	27,435	(27,435)	-100.00%
Interest Earned - External Investments	846,086	331,924	514,162	154.90%
Interest Earned - Outstanding Debtors	8,236,601	7,206,773	1,029,828	14.29%
Licences and Permits	1,296,718	1,953,761	(657,043)	-33.63%
Agency Services	989,625	1,647,161	(657,536)	-39.92%
Other Revenue	1,164,431	5,157,547	(3,993,116)	-77.42%
Unamortised Discount - Interest	-	-	-	0.00%
Dividends Received	-	-	-	0.00%
Contributed PPE	-	-	-	0.00%
Gain on disposal of Property, Plant and Equipment	279,116	100,000	179,116	179.12%
Total Revenue	166,221,155	150,161,683	16,059,472	10.69%
EXPENDITURE				
Council and Executive Administration	(8,002,262)	(11,481,425)	3,479,163	-30.30%
Office of the Municipal Manager	(5,033,950)	(4,205,834)	(828,116)	19.69%
Finance Admin	(45,826,404)	(13,793,734)	(32,032,670)	232.23%
Corporate Services and Development Admin	(4,218,497)	(4,586,761)	368,264	-8.03%
LED	(65,816)	(276,980)	211,164	-76.24%
Municipal Buildings	(1,463,252)	(1,684,293)	221,041	-13.12%
Estates	(494,586)	(703,687)	209,101	-29.72%
Ganspan Waterbird Sanctuary	-	(36,760)	36,760	-100.00%



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Semi-Detached Houses	-	(49,687)	49,687	-100.00%
Staff Housing	(1,235)	(69,155)	67,920	-98.21%
Council Motor Vehicle	(1,491)	(204,416)	202,925	-99.27%
Community Services Admin	(3,096,800)	(2,647,301)	(449,499)	16.98%
Cemetary	(231,524)	(344,189)	112,665	-32.73%
Traffic	(2,581,162)	(2,753,189)	172,027	-6.25%
Parks and Recreation	(1,464,538)	(1,332,010)	(132,528)	9.95%
Clinic	(6,905)	-	(6,905)	0.00%
Caravan Park	(13,954)	(31,249)	17,295	-55.35%
Sports Grounds	(213,641)	(246,363)	32,722	-13.28%
Fire Fighting and Disaster Management	(27,480)	(124,574)	97,094	-77.94%
Motor Vehicle Registration	(1,106,336)	(1,119,498)	13,162	-1.18%
Library	(1,433,018)	(1,464,993)	31,975	-2.18%
Vehicle Test Station	(249,755)	(912,415)	662,660	-72.63%
Water	(32,881,261)	(35,322,588)	2,441,327	-6.91%
Electricity (Street Lighting)	(31,317,748)	(34,578,882)	3,261,134	-9.43%
Public Works	(5,316,240)	(5,337,805)	21,565	-0.40%
Mechanical Workshop	(241,187)	(505,239)	264,052	-52.26%
Refuse	(1,598,396)	(3,309,376)	1,710,980	-51.70%
Less Internal Charges	3,239,348	4,125,763	(886,415)	-21.48%
Total Expenditure	(143,648,090)	(122,996,640)	(20,651,450)	16.79%
SURPLUS / (DEFICIT) FOR THE YEAR	22,573,065	27,165,043	(4,591,978)	



**PHOKWANE MUNICIPALITY
APPENDIX E (2)
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)
REVENUE				
Property Rates	7,192,024	9,556,899	(2,364,875)	-24.75%
Grants and Subsidies Received - Operating	98,400,183	53,566,000	44,834,183	83.70%
Public Contributions and Donations	-	-	-	0.00%
Fines	127,741	133,197	(5,456)	-4.10%
Third Party Payments	-	-	-	0.00%
Stock Adjustments	-	-	-	0.00%
Actuarial Gains	-	-	-	0.00%
Property Rates - Penalties & Collection Charges	-	-	-	0.00%
Service Charges	47,549,229	70,411,115	(22,861,886)	-32.47%
Water Services Authority Contribution	-	-	-	0.00%
Rental of Facilities and Equipment	139,403	69,871	69,532	99.51%
Interest Earned - Current Account	-	27,435	(27,435)	-100.00%
Interest Earned - External Investments	846,086	331,924	514,162	154.90%
Interest Earned - Outstanding Debtors	8,236,601	7,206,773	1,029,828	14.29%
Licences and Permits	1,296,718	1,953,761	(657,043)	-33.63%
Agency Services	989,625	1,647,161	(657,536)	-39.92%
Other Revenue	1,164,431	5,157,547	(3,993,116)	-77.42%
Unamortised Discount - Interest	-	-	-	0.00%
Dividends Received	-	-	-	0.00%
Contributed PPE	-	-	-	0.00%
Gain on disposal of Property, Plant and Equipment	279,116	100,000	179,116	179.12%
Total Revenue	166,221,155	150,161,683	16,059,472	10.69%
EXPENDITURE				
Executive and council	(14,259,922)	(17,312,801)	3,052,879	-17.63%
Budget and treasury office	(47,298,030)	(12,372,608)	(34,925,422)	282.28%
Corporate Services		(6,974,741)	6,974,741	-100.00%
Community and social services	(4,761,341)	(4,456,483)	(304,858)	6.84%
Sport and recreation	(1,692,133)	(1,646,382)	(45,751)	2.78%
Public Safety	(3,964,733)	(4,909,676)	944,943	-19.25%
Housing	(1,235)	(118,842)	117,607	-98.96%
Health	(6,905)	-	(6,905)	0.00%



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Planning and development	(65,816)	(276,980)	211,164	-76.24%
Road transport	(5,557,427)	(5,843,044)	285,617	-4.89%
Environmental protection	-	-	-	0.00%
Electricity	(31,317,748)	(34,578,882)	3,261,134	-9.43%
Water	(23,534,082)	(23,542,216)	8,134	-0.03%
Water waste management	(9,347,179)	(11,780,372)	2,433,193	-20.65%
Waste management	(1,598,396)	(3,309,376)	1,710,980	-51.70%
Less: Interdepartmental Charges	3,239,348	4,125,763	(886,415)	-21.48%
Total Expenditure	(140,165,600)	(122,996,640)	(17,168,960)	13.96%
SURPLUS / (DEFICIT) FOR THE YEAR	26,055,555	27,165,043	(1,109,488)	

APPENDIX E (3)

ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011 ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS MUNICIPAL VOTES CLASSIFICATION

	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %
Finance Admin	2,645,127	-	2,645,127	100%
Corporate Services and Development Admin	-	60,000	(60,000)	-100.00%
Community Services Admin	663,690	-	663,690	100%
Water	29,332,607	14,600,000	14,732,607	100.91%
Water Consumer Connections		5,000,000	(5,000,000)	-100.00%
Waste Water	-	7,800,000	(7,800,000)	-100.00%
Electricity	440,000	163,000	277,000	100%
Public Works	5,315,256	6,672,000	(1,356,744)	-20.33%
Refuse	(3,382,682)	-	(3,382,682)	100%
Total	35,013,998	34,950,400	63,598	0.18%



PHOKWANE MUNICIPALITY

APPENDIX E (4)

ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011

AQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS

GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %
Budget and treasury office	2,645,127	-	2,645,127	100.00%
Corporate Services	-	60,000	(60,000)	-100.00%
Community and social services	663,690	410,400	253,290	100.00%
Road transport	5,315,256	6,672,000	(1,356,744)	-20.33%
Electricity	440,000	163,000	277,000	100.00%
Water	29,332,607	19,600,000	9,732,607	49.66%
Water waste management	-	7,800,000	(7,800,000)	-100.00%
Waste management	(3,382,682)	-	(3,382,682)	100.00%
Total	46,968,366	34,950,400	12,017,966	34.39%


PHOKWANE MUNICIPALITY
APPENDIX F
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2010	Correction of error/ Transfers	Restated balance 1 JULY 2010	Contributions during the year
	R	R	R	R
Equitable Share	-	-	-	50,646,403
DWAF - Sedibeng	-	-	-	1,163,000
MIG Grant	(3,471,028)	(978,542)	(4,449,570)	14,072,000
Housing Subsidy Grant	59,300	-	59,300	-
MSIG	419,535	-	419,535	750,000
Tlhagadillijang Elec. DME	(329,798)	-	(329,798)	-
Library Pampierstad Grant	(20,452)	-	(20,452)	-
Library Hartswater Grant	587,932	-	587,932	-
J/Kemp housing/Pampierstad	137,581	-	137,581	-
EPWP Taxi Rank	2,624,430	-	2,624,430	-
S E T A	1,053	-	1,053	-
Elec. Substation-Frances Baa	53,315	-	53,315	-
NLDTF LOTTO	(50,585)	-	(50,585)	-
Creche : Bonita Park	3,546	-	3,546	-
49 Houses/Water - DPLG (NC)	5,418	-	5,418	-
DWAF - Referbishment	(2,274,503)	1,497,997	(776,505)	-
Financial Managment Grant	49,691	-	49,691	1,250,000
Sapo	3,497	-	3,497	-
Sport Development	17,422	-	17,422	-
Thagadipilejang Fund	(21,341)	-	(21,341)	-
FBDM O&M	143,499	(19,375)	124,123	-
EPWP Bonita Park	213,727	-	213,727	-
DWAF Water loss	164,992	(538,736)	(373,744)	-
DME grant - Ganspan Electrification	(581,062)	-	(581,062)	163,000
COGHSTA Grant	-	2,774,886	2,774,886	26,301,351
Masakeng Roads	-	432,638	432,639	-
Total	(2,263,832)	3,168,868	905,036	94,345,754



PHOKWANE Local Municipality Annual Report 2010/11





ACCOUNTING PRINCIPLES AND POLICIES NOTES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Directive 5 “Determining the GRAP Reporting Framework”, issued by the Accounting Standards Board.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 9	Revenue from Exchange Transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 102	Intangible assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: “Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities” issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:



GRAP 12 – Inventories;
GRAP 13 – Leases;
GRAP 16 – Investment Property;
GRAP 17 – Property, Plant and Equipment;
GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets;
GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations;
GRAP 102 – Intangible Assets.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets



1.6. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.7. RESERVES

1.7.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) credited by a corresponding amount when the amounts in the CRR are utilized.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

1.8. LEASES

1.8.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.8.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.



1.9. UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

1.10. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.11. EMPLOYEE BENEFITS

(a) Pension obligations

The municipality contributes to the following post retirement funds - Cape Joint Pension fund, Cape Joint Retirement fund and SAMWU Retirement fund which provides for retirement benefits to its employees.

For defined contribution plans, the municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in the future payments is available.

(b) Post Retirement Medical obligations

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.



(c) **Long Service awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

(d) **Accrued Leave Pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.12. PROPERTY, PLANT AND EQUIPMENT

1.12.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.12.2 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.



A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.12.3 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.12.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	10-25	Buildings	30
Pedestrian Malls	20	Specialist vehicles	10-20
Electricity	20-30	Other vehicles	5-7
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	5-15
Housing	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Buildings	30	Equipment	5-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	30	Landfill sites	20
Libraries	30	Quarries	25
Parks and gardens	15-20	Emergency equipment	5-15
Other assets	15-20	Computer equipment	5



<u>Heritage Assets and Land</u>			
Heritage Assets	50-Infinite		
Land	Infinite		
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5-6		

1.12.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13. INTANGIBLE ASSETS

1.13.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.



1.13.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.13.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	Years
Computer Software	5

1.13.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14. INVESTMENT PROPERTY

1.14.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.14.2 Subsequent Measurement – Cost Model

Investment property is measured using the cost model. Under the cost model, investment property is carried at its cost at the reporting date.



1.14.3 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15. NON-CURRENT ASSETS HELD FOR SALE

1.15.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.15.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.16. CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.17. IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset



does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

1.18. INVENTORIES

1.18.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.18.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.19. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.



1.19.1 Initial Recognition

Financial instruments are initially recognised at fair value.

1.19.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.19.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.19.2.2 Trade and Other Receivables

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.



1.19.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.19.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.19.3 De-recognition of Financial Instruments

1.19.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.19.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.19.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.19.5 *Impairment of Financial Assets*

The Municipality assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.20. REVENUE**1.20.1 *Revenue from Non-Exchange Transactions***

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment quali-



fies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.20.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied annually or monthly by choice of the user.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

1.20.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.



1.21. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.22. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. CONTINGENT LIABILITIES

All known contingent liabilities are reflected in the financial statements.

1.26. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.



Chapter 5

FUNCTIONAL AREA SERVICE DELIVERY REPORTING

5.1 THE PURPOSE OF THE REPORT

The purpose of the report is to provide an overview of the overall performance of the Municipality for the 2010/11 Financial year as defined in the Service Delivery Budget Implementation Plan for 2010/11 and linked to the IDP and Annual Budget of the Municipality.

THE CONTEXT

It is a legal requirement that the municipality must provide an annual performance report on the key objectives and measurable performance targets of the municipality as set out in the IDP and Service Delivery Budget Implementation Plan (SDBIP) and linked to the Performance Agreements of the Section 57 Managers. The Municipal Systems Act (32 Of 2000) and the Municipal Finance Management Act (56 of 2003) requires the following reports pertaining to the performance of the Municipality:

- Section 46 (1) determines that the municipality must prepare for each financial year a performance report that reflects the performance of the municipality. requires that such a report must form part of the Annual Report of the municipality
- Section 45 (2) determines that the results of the performance measures must be audited annually by the Auditor General
- Section 46 (2) and Section 121 (3) (c) requires that the Annual report must include the annual performance report of the municipality.

Section 40 of the Municipal systems act requires of the municipality to implement mechanisms to review the performance measures and indicators on a regular basis and to implement an early warning system to indicate areas of deficiencies.

5.2 PERFORMANCE FRAMEWORK

The Service Delivery Budget Implementation Plan (SDBIP) of the Municipality is the cornerstone to determine the key Service Delivery objectives and targets of the Municipality based on the Integrated Development Plan (IDP). The SDBIP directly informs the Annual Budget of the Municipality and the Performance Agreements and Performance Plans of the Municipal Manager and Section 57 Managers. The Performance Plans of the Section 57 Managers at the same time informs the Performance Scorecards of the various operating sections within each department. Reporting should therefore escalate from the bottom (Sections) to the top (Departments) to enable to compilation of Quarter- and Annual Performance Reports. This is however not possible due to the fact that the managers posts in two departments are vacant and that the Performance Management System is not fully functional in all sections. It is therefore not correct to measure the performance of each Manager and his department



in isolation but rather the Municipality as a whole. The current three managers at the Main Office are sharing the responsibility of the vacant posts and as an example all three manager will be involved in matters pertaining to the Technical Department. To allow proper measurement of the Key Performance Areas (KPA's) and Key Performance Indicators (KPI's) as outlined in the SDBIP it has been segmented in three main Key Performance Areas i.e. Finance, Institutional and Service Delivery. The Key Performance Indicators of the various Departments has therefore been incorporated in the above Key Performance Areas to enable the performance measurement of the individual managers as a team.

5.4 ASPECTS THAT INFLUENCING THE PERFORMANCE OF THE ORGANISATION

When considering the performance of the municipality it is also important to take note of the aspects that had a negative influence on the overall performance of the municipality and that is impeding officials to achieve their goals. These factors include the following;

- Vacancies at Senior Management level is impacting on the performance of the other directors and senior managers as they have to extend their current portfolios to assist in the management of the Departments that is without a director or manager. These departments include the Technical Department and the Hartswater/ Pampierstad unit.
- The large number of staff vacancies is impacting negatively on service delivery in particular the operational sections
- Lack of operational resources that includes insufficient equipment and machinery to deliver services efficiently and effectively. The current fleet is ageing and in specialized vehicles and equipment is in a poor condition.
- Lack of capacity and skills within the staff and in many instances staff are not trained or qualified to perform the functions expected from them.
- The recruitment and retention of rare skilled personnel i.e. electricians, engineers, etc.
- Lack of preventative maintenance of the infrastructure and equipment.
- Upgrading of bulk infrastructure in relation to the growing demand for basic services and infrastructure development i.e. water, sewer, electricity, etc.
- Growing poverty and unemployment rate that threatens the financial viability of the municipality.
- Growing number of indigent's residents versa via the shrinking revenue base of the municipality

In order to improve the organizational- and service delivery capacity of the municipality it is critical to address the above aspects and to provide the necessary funding to address the deficiencies.

5.5 INSTITUTIONAL PERFORMANCE

The overall responsibility to ensure that proper governance and institutional compliance is exercised rest with the Municipal Manager as the Accounting officer. The directorate of Corporate Services is however delegated with the day-to-day responsibilities and to ensure that the objectives and targets relating to institutional performances are implemented.

The performance report for the Municipality reflects a stable financial institution despite a low payment rate for services, albeit a relative good collection rate compared to other municipalities. The financial position of the municipality can be vastly improved



if the payment rate improves with 10%+ as it will allow the municipality to fill all their staff vacancies, increase spending on the maintenance of infrastructure and to improve the condition of their vehicle fleet and equipment. At operational level that municipality is able to maintain the level of services but more attention is required to improve the customer care focus and to increase the general standard of service delivery. Procedures are implemented to ensure that information is recorded and reviewed on a more frequent basis to measure the attainment of targets as set in the IDP, SDBIP and Performance Plans of the senior managers.

5.3 SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

KPA	KEY PERFORMANCE INDICATOR	TARGET	ACTUAL ACHIEVEMENT	VARIANCE
Effectively Support political Interface.	Nr of schedule council meetings taking place.	4	7	4 Ordinary Council Meetings 3 Special Council Meetings
	Nr of Exco meetings taking place.	4	3	2 outstanding meetings during the year 2010. 3 outstanding meetings during the year 2011. Other matters were referred to Special meetings
	Supporting visits of the Cabinet, NCOP, District Municipality and other structures.	100%	Auditor General (Terence Nombembe) visit to the Municipality,	N/A
Ensure effective public participation.	Nr of IDP Representative Forum's meetings taking place.	4	3	The last meeting could not sit because of the budget meetings.
	Nr of budget consultation meetings taking place.	3	4	Initially, Hartswater, Pampierstad, Jan Kempdorp were targeted and later Ganspan.
	Nr of Council Imbizo's held.	2	0	Council could not hold Imbizos.



KPA	KEY PERFORMANCE INDICATOR	TARGET	ACTUAL ACHIEVEMENT	VARIANCE
Ensure good and effective governance.	Nr of customer satisfaction surveys conducted.	1	None	No survey was used but books in different offices.
	Nr of senior mngt meetings held	8	6 meetings	3 Ordinary Management Meetings 3 Extended Management Meetings
	Nr of general staff meetings	2	3	2 Ordinary meetings. 1 Special meeting.
	Annual reports submitted as prescribed i.t.o MFMA	1	1	N/A
	Nr of performance reports submitted by HoD's	16	12	Technical Director post is vacant.
	% implementation of council resolutions	80%	75%	Some resolutions are phased in.
Effective communication	Nr of newsletters distributed.	4	2	Load of work on Communications.
	Nr of radio talk shows conducted.	6	2	Limited talk shows during this financial year.
Implement an effective Performance Management System (PMS)	Nr of performance management reports submitted to council.	4	3	1
	% of performance contracts signed by HoD's.	100%	3 to be signed	Technical Director post is vacant.
	Nr of performance reviews with sections conducted.	16	12	Technical Director post is vacant.
	Nr of performance reviews with direct reports.	16	12	Technical Director post is vacant.



KPA	KEY PERFORMANCE INDICATOR	TARGET	ACTUAL ACHIEVEMENT	VARIANCE
Formulation and implementation of a credible IDP	Approval of 2010/2011 IDP review by council.	1	6 May 2011	N/A
	% Spending of IDP projects	100%	80%	In process. Some project in progress.
	% of IDP priority/funded projects implemented	100%	80%	In process. Some project in progress.
	Nr of IDP Steering Committees held	4 IDP steering Committee meetings p.a.	One	Forms was more on budget than IDP.
	Formulation of IDP process plan	Approved by Council by end August 2010	Approved	N/A
	Nr of IDP Representative Forums held	Hold at least 4 IDP steering Committee meetings per annum	Two plus four ward meetings	IDP Steering Committee meeting replaced by Ward meetings.
Formulation and implementation of effective policies and by-laws	% Spending of MIG Grants	100%	70.7%	Roll over
	% of existing policies reviewed	20%	See list of policies reviewed	N/A
	Nr of new by-laws approved in accordance council resolution.	100%	No new by laws reviewed	N/A
	Nr of by-laws reviewed as specified by council.	3	0	0
Effective organizational development	Review, update and approval of organizational structure	100%	100%	N/A
	Strategic plan formulated and approved	100%	0	Not done due to change of council.
Effective Governance	Ave days of council minutes distributed	Not longer than 7 days	Not longer than 7 days.	N/A
	Review and approval of Employment Equity Plan	Approved by End November 2010	Approved on 31 October 2010. Submitted to Dept of Labour	N/A
	Review and approval of Skills Development Plan	Approved by end October 2010	Approved 30/6/2010 and annual revision on 21 June 2011. Submitted to Dept of Labour.	N/A



KPA	KEY PERFORMANCE INDICATOR	TARGET	ACTUAL ACHIEVEMENT	VARIANCE
Effective Human Resources management and development	Nr of employees trained i.t.o in Skills Development Plan	Minimum of 40 employees	75	Exceeded with 35
	Nr of councillors trained	According to SDP	10	8 Councillors still to be trained
	Nr of artisans accredited	5 Per annum	Employees qualified due to RPL program (on Job Training) - 15	Exceeded with 10
	Amount of skills levies received from Seta	100% As per budget	R 118,000.00	N/A
	Nr of female employees	Increase female employment by 10%	Female employment increased with 10%	N/A
	Nr of disabled employees	Appointment of 3 people with disabilities	1 Staff member 1 Councillor	1 disabled person to be appointed.
	% of New staff provided with induction courses	100% of all new employees	18 Councillors 3 Employees	N/A
	Nr of safety reps trained in first aid and occupational safety	Train all 13 safety representatives	5 First Aid & 5 OHS	5 outstanding for safety reps to be trained.
	Nr of life skills programs conducted	Conduct 2 life skills programs per year	None	This was not done.
	% of Critical vacant posts filled (budget)	Appointment of all critical post as per budget	Director: Technical Services and Unit Manager: Hartswater/ Pampierstad, HR Manager not yet appointed.	3 critical posts not yet appointed.
	Nr of Safety committee meetings held	Monthly safety meetings	6	Other meetings could not sit due to availability of members.
	% of contract workers appointed according to a contract	100% of contract workers with contracts	All temporary workers have contract	N/A



KPA	KEY PERFORMANCE INDICATOR	TARGET	ACTUAL ACHIEVEMENT	VARIANCE
Effective labour relations	Nr of Labour Forum meetings taking place	8 Labour Forum meetings p.a.	5	Other meetings could not sit due to unavailability of members.
	% of Disciplinary cases investigated and completed	100% of all disciplinary cases to be completed	68%	Other cases were taken for review.
	% of grievances resolved	100%	98%	One case of unfair labour practice.
	% of disciplinary cases conducted	100%	100%	N/A
	% of disputes resolved	100%	98%	1 case outstanding.
Performance Management (PMS)	Organisational Performance Management System implemented	PMS fully implemented in all departments	Submission of reports.	Implemented but Sections not complying to submit reports
	Nr of Performance Reports provided to Council	Quarterly performance	3	1 outstanding report.
	Nr of performance reviews conducted with sections	Quarterly performance reviews	4	N/A
Local Economic Development (LED)	Nr of new LED projects implemented	Implement at least 2 LED projects for the year	0	No new projects as the LED manager was only appointed on June 2011
	Nr of LED funded projects approved	At least 2 per annum	0	No new projects as the LED manager was only appointed on June 2011
	Nr of LED summits held	1	0	No new projects as the LED manager was only appointed on June 2011.
	Nr of workshops conducted for emerging contractors	Conduct at least 2 workshops for emerging contractors	0	No resources
Effective registry system	Implementation of access control system at registry section	Implement access control system at the registry section by end November	Locks repaired and CCTV camera system installed	N/A
	Registry plan approved and implemented	By end of November 2011	Submitted File Plan to Provincial Archives for approval	N/A
	% of Files circulated, returned to registry	95%	95%	N/A



KPA	KEY PERFORMANCE INDICATOR	TARGET	ACTUAL ACHIEVEMENT	VARIANCE
Customer Relations	Appointment of Customer Care Official	Appointment by 30 Dec 2010	Still vacant	No appointment was made.
	Develop & Implement a Customer Care Plan	Implement by 30 December 2010	To be developed – Procedures implemented at customer desk at Hartswater	Still to be developed.

5.4 SERVICE DELIVERY PERFORMANCE

Backlogs

The backlog of basic services in the municipality has been address steadily over the past few years and the following backlogs are recorded in the IDP;

Services	Jan Kempdorp	Ganspan	Hartswater	Motswe dithuto	Pampier stad	Total
Housing	676	531	127	32	1450	2816
Water Supply	676	531	127	32	0	1366
Sanitation	676	531	127	32	1450	2816
Electricity Households	1057	102	1716	32	1906	4813
Public Lighting	10 Highmast	6 Highmast		2 Highmast	4 Highmast	22
Solid Waste Removals	1100	530	210	32	2100	3972
Roads/Access Roads	90 km	9 km	60 km	1 km	89.7 km	249.7



Projects

The Project Technician is currently overseeing the following projects that in the process of construction.

PROJECT NAME	PROJECT BUDGET	EXPENDITURE TO DATE	BALANCE	EXPENDITURE 2010/11	PROGRESS
ROADS					
Upgrading of street & stormwater in Pampierstad	17,514,452	11,949,386	5,565,066	4,662,749	In progress at 66%
RE-Gravelling of Ganspan Access road	200,000	200,000	-		Completed
Masakeng Access road	979,920	979,920	-	963,995	Completed
SANITATION					
Upgrading of Jan-kempdorp waste water treatment plant	23,933,242	14,535,124	9,398,118	1,654,602	In progress at 78%.
Ganspan Provision of dry sanitation	5,274,796	2,150,950	3,123,846		in progress at 50%
Bulk sewer pipe line for 2350	24,106,941	11,466,254	12,640,687	9,020,200	In progress at 70%.
Construction of internal sewer, 1450 Stands - Pampierstad / Sakhile	25,180,482	16,905,436	8,275,047	14,747,053	In progress at 67%.
Masakeng 840 internal sewer	2,622,000	2,622,000	-	2,190,443	in progress at 43%
RE-Placing of sewer pipes from 110mm to 160mm at Andalusia Park	314,460	297,201	17,259	297,201	In progress at 60%.
WATER			-		
Construction of internal water for 1450 stands in Pampierstad / Sakhile	14,117,528	11,704,045	2,413,483		completed
Bulk water for 1450 pamp/ sakhile	2,500,000		2,500,000		completed
OPERATIONS AND MAINTENANCE					
Fencing of Ganspan water reservoir	300,000	300,000	-		completed
Fencing of Hartswater water reservoir	300,000	300,000	-		completed



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PROJECT NAME	PROJECT BUDGET	EXPENDITURE TO DATE	BALANCE	EXPENDITURE 2010/11	PROGRESS
ELECTRIFICATION					
Ganspan electrification 407	2,442,000	2,442,000	-	260,000	completed
OTHER.					
Pampierstad taxi rank	2,161,813		-	2,161,813	completed
TOTAL	121,947,634	78,014,128	43,933,506	34,459,993	



CONTACT INFORMATION

POSITION	NAME	TEL. NO	E-MAIL
Mayor	Vuyisile Khen	053 474 9700/ 082 925 4906	khenvuyisile@gmail.com
Speaker	Dieketseng Moeketsi	053 474 9700/ 082 925 6891	dieketsengmoeketsi@gmail.com
Municipal Manager	Moeketsi Dichaba	053 474 9700/ 082 925 5783	dichaba@phokwane.gov.za
Chief Finance Officer	Timothy Sediti	053 474 9700/ 082 300 8446	sediti@phokwane.gov.za
Corporate Services & Dev. Planning Manager	Morgan Motswana	053 474 9700/ 082 925 5164	mam@phokwane.gov.za
Technical Manager	Tshiamo Pitso	053 474 9700/ 082 464 0736	pitso@phokwane.gov.za
Unit Manager: Pampierstad/Hartswater	Vacant		
Unit Manager: Jan Kempdorp/Ganspan	Andre Lubbe	053 456 0111/ 082 925 5312	lubbe@phokwane.gov.za



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